

Voluntary standards and certification for environmentally and socially responsible agricultural production and trade



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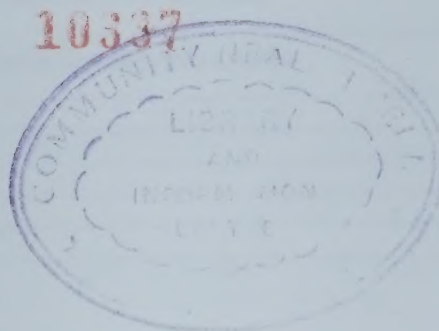
Voluntary standards and certification for environmentally and socially responsible agricultural production and trade

prepared by

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Commodities and Trade Division

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
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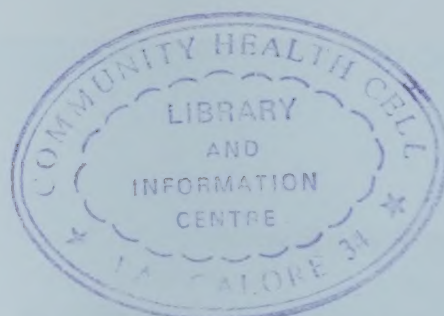
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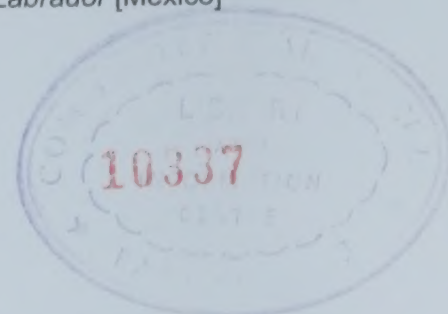
Contents

ACKNOWLEDGEMENTS.....	VII
FOREWORD	1
CHAPTER I - BENEFITS OF CERTIFICATION: DOES CERTIFICATION BENEFIT FARMERS AND SOCIETY AS A WHOLE?	5
1. WHAT IS THE WORLD MARKET FOR CERTIFIED PRODUCTS?	7
<i>European Market</i>	8
<i>United States Market</i>	9
<i>Japanese Market</i>	10
<i>Discussion</i>	13
2. FARMERS' EXPERIENCE WITH CERTIFICATION	14
3. BENEFITS AND CONSTRAINTS OF CERTIFICATION: EVIDENCE FROM CASE STUDIES	15
<i>Introduction</i>	15
<i>Review of case studies on organic farming</i>	16
<i>Review of case studies on fair-trade certification</i>	18
<i>Review of case studies on other voluntary standards</i>	19
<i>Conclusion</i>	19
CHAPTER II - OVERCOMING THE CONSTRAINTS OF CERTIFICATION: FACILITATING CERTIFICATION THROUGH NGO INITIATIVES	25
1. THE INTERNATIONAL FEDERATION OF ORGANIC AGRICULTURE MOVEMENTS	27
2. THE RAINFOREST ALLIANCE CERTIFICATION	27
3. THE FAIRTRADE LABELLING ORGANIZATIONS INTERNATIONAL, FLO	28
4. SOCIAL ACCOUNTABILITY INTERNATIONAL (SAI)	29
5. FACILITATING THE CERTIFICATION OF SMALLHOLDERS THROUGH INTERNAL CONTROL SYSTEMS: INSIGHTS FROM THE SASA PROJECT	30
<i>ICS and smallholder access to certification</i>	31
<i>Internal inspector/extension officer dual roles</i>	32
<i>Documentation - burden and learning tool</i>	32
<i>Nuancing ICSs: endogenous versus out-grower scenarios</i>	33
<i>Heterogeneity in sampling populations</i>	33
<i>Sampling</i>	34
<i>ICSs and development</i>	34
<i>Challenges for the broader West African context raised on the Burkina Faso audit</i>	34
<i>ICS and social certification</i>	35
<i>Documentation burden related to social issues</i>	35
<i>Certification systems 'piggy-backing' on each others' foundations</i>	35
<i>Definition of relevant social issues</i>	35
<i>ICSs and processes of development</i>	36
<i>Internal control elements in SASA organizations</i>	36
<i>Towards a generic management system for small producer groups</i>	37
CHAPTER III - BUILDING ALLIANCES TO EXPAND MARKET OPPORTUNITIES FOR RESPONSIBLE PRODUCTION	39
1. COLLABORATION BETWEEN FAO AND THE CERTIFICATION ORGANIZATIONS	41
2. THE INTERNATIONAL SOCIAL AND ENVIRONMENTAL ACCREDITATION LABELLING ALLIANCE (ISEAL)	42
3. COLLABORATION AMONG STANDARD-SETTING AND CERTIFICATION ORGANIZATIONS: THE EXAMPLE OF THE SASA PROJECT	42
<i>Context and Trends</i>	433
<i>Proposed Coordination – An Overview</i>	43
<i>Scope</i>	44
<i>Objectives</i>	44
<i>Implementation strategy</i>	45

4.	CERTIFICATION: ADAPTING TO THE FUTURE	48
	<i>Discussion</i>	49
5.	BUILDING ALLIANCES BETWEEN RESPONSIBLE PRODUCERS AND RETAILERS	50
	<i>Discussion</i>	51
6.	BUILDING ALLIANCES BETWEEN SOCIALLY RESPONSIBLE PRODUCERS AND CONSUMERS	52
7.	STRATEGIES TO IMPROVE COLLABORATION BETWEEN STAKEHOLDERS IN THE SUPPLY CHAIN AND TO PROMOTE RESPONSIBLE PRODUCTION AND TRADE	53
CONCLUSION		56
ANNEXES		59
	AGENDA	61
	LIST OF PARTICIPANTS.....	63
	LIST OF FAO PUBLICATIONS AND REPORTS ON ENVIRONMENTAL AND SOCIAL CERTIFICATION	67

Acronyms and abbreviations

ACB	Accredited Certification Body
ACG	Guanacaste Conservation Area [Costa Rica]
ACP	Country in Africa, the Caribbean or the Pacific that has signed the Cotonou agreement with the European Union
ADIPCO	Cocolá Development Association [Guatemala]
AEAAZ	Agricultural Ethics Assurance Association of Zimbabwe
ANACAFE	National Coffee Association [Guatemala]
APEMB	Association of Ecological Growers of the Baturité Mountains [Brazil]
APPTA	Talamanca Small Farmers' Association [Costa Rica]
ASEAN	Association of Southeast-Asian Nations
ATO	Alternative Trade Organization
CAN	Conservation Agriculture Network [now SAN]
CIF	cost-insurance-freight [standard contract terms]
CIMS	<i>Centro de Intelligenca sobre Mercados Sostenibles</i> /Sustainable Markets Intelligence Centre
COLEACP	<i>Comité de liaison Europe-Afrique-Caraïbes-Pacifique</i> [Association of stakeholders in EU-ACP horticultural trade]
Coocafé	<i>Consortio de Cooperativas de Caficultores de Guanacaste y Montes de Oro RL</i> [Costa Rica]
CSA	Community-Supported Agriculture
CSR	Corporate Social Responsibility
CTE	Committee on Trade and Environment [of the WTO]
DCC	Day Chocolate Company
DED	<i>Deutscher Entwicklungsdienst</i>
EPOPA	Export Promotion of Organic Products from Africa
ESCR	Raw Materials, Tropical and Horticultural Products Service, FAO
ETI	Ethical Trading Initiative
EU	European Union
EUREP	Euro-Retail Produce Association
EurepGap	EUREP Good Agriculture Practice
FAO	Food and Agriculture Organization of the United Nations
FECAFEB	<i>Federación de Cafetaleros Exportadores de Bolivia</i>
FEDECOOP	<i>Federación de Cooperativas de Caficultores RL</i>
FFTU	Farmers Fair Trade Uganda
FLO	Fairtrade Labelling Organizations International
FOB	free-on-board [standard contract terms]
FONAES	National Fund for Support of Solidarity Enterprises [Mexico]
GAP	Good Agricultural Practice
GATT	General Agreement on Tariffs and Trade
GMO	genetically-modified organism
IBS	IFOAM Basic Standards
ICFTU/ITS	International Confederation of Free Trade Unions/International Trade Secretariat
IEC	International Electrotechnical Commission
IFAD	International Fund for Agricultural Development
IFOAM	International Federation of Organic Agriculture Movements
IIED	International Institute of Environment and Development
ILO	International Labour Organization
IMO	<i>Institut für Markökologie</i> [organic certification body, Switzerland]
IOAS	International Organic Accreditation Service
IPM	integrated pest management
IPPC	International Plant Protection Convention
ISEAL	International Social and Environmental Accreditation and Labelling Alliance
ISMAM	<i>Indígenas de la Sierra Madre de Motozintla San Isidro Labrador</i> [Mexico]
ISO	International Organization for Standardization
ITC	International Trade Centre



IUF	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations
JAS	Japanese Agriculture Standard
KKL	Kuapa Kokoo Limited [Ghana]
KNCU	Kilimanjaro Native Cooperative Union [Tanzania]
LBC	Licensed Buyer Organization [in Ghana cocoa industry]
LCU	Lango Cooperative Union [Uganda]
MAFF	Ministry of Agriculture, Forestry and Fisheries [Japan]
MAPO	<i>Movimiento Argentino de Producción Orgánica</i>
MFN	Most Favoured Nation [GATT/WTO context]
NGO	non-governmental organization
NOP	National Organic Program [United States of America]
NT	National Treatment [GATT/WTO context]
PIC	Prior Informed Consent
PMO	Produce Marketing Organization
PPM	Production and Processing Method
SA8000	Social Accountability 8000
SAI	Social Accountability International
SAI-Platform	Sustainable Agriculture Initiative Platform
SAN	Sustainable Agriculture Network [formerly CAN]
SASA	Social Accountability in Sustainable Agriculture project
SERRV	Sales Exchange for Refugee Rehabilitation Vocation
SNV	Netherlands Development Organization
SPS Agreement	Agreement on the Application of Sanitary and Phytosanitary Measures
SSE	Single Strain Juice Equivalent
TBT	Technical Barriers to Trade
UCIRI	Union of Indian Communities in the Isthmus Region [Mexico]
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
USDA	United States Department of Agriculture
VREL	Volta River Estates Limited [Ghana]
WHO	World Health Organization
WTO	World Trade Organization

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This report was formatted and prepared for printing by Daniela Piergentili.

Introduction

David Hallam, Chief, Raw Materials, Tropical and Horticultural Products Service, Commodities and Trade Division, FAO

This report summarizes the presentations and discussions that took place during the **“FAO Meeting on Voluntary Standards and Certification for Environmentally and Socially Responsible Agricultural Production and Trade”** (Rome, 22 April 2004). Over 120 participants from all over the world gathered to discuss issues related to the promotion of environmentally and socially sustainable agricultural practices. The meeting was held in close collaboration and back-to-back with the final conference of the SASA project held at FAO on 21 April 2004. It marked the first time that FAO engaged such a wide variety and number of non-governmental organizations (NGOs), private sector stakeholders and other institutions to further the development of responsible agricultural production and trade. Moreover, it demonstrated the commitment of the Organization to discuss the issue of voluntary standards and certification initiatives in relation to how they may benefit small farmers, plantation workers, rural communities and society as a whole.

Some of the benefits that may accrue to the farmers, farm workers and producers adopting a given certification programme include increased returns on their labour, better working conditions and longer term environmental improvements. Certification may also offer small farmers an opportunity to stay in business, through the support and solidarity of consumers who are willing to pay a price premium to support them. These initiatives can further benefit the local communities surrounding the farms and the environment by encouraging local development through higher incomes and capacity building, thereby benefiting society as a whole. Given the high rate of new certification initiatives and programmes entering into the market, hosting these meetings in a neutral forum is critical to the adoption of truly sustainable practices. It enables experts in the field to analyse the opportunities and constraints of various programmes and to suggest methods to encourage more responsible production and trading practices.

To obtain a balanced and comprehensive assessment of voluntary standards and certification, FAO invited stakeholders from a wide array of institutions to attend in their personal capacity such as: farmer organizations, private companies including leading food multinationals, government agencies, donors, aid agencies, consumer associations, trade unions, research institutes, certification bodies, standard-setting organizations and many NGOs active in sustainable agriculture. Sessions were moderated by experts of the Raw Materials, Tropical and Horticultural Products Service (ESCR) of FAO, many of whom have been working on issues related to environmental and social certification and have been monitoring markets for certified products since 1999. The service has also developed close working relationships with some of the leading NGOs in the field such as the International Federation of Organic Agriculture Movements (IFOAM), the Fairtrade Labelling Organizations International (FLO), Social Accountability International (SAI) for the SA-8000 standard and the Sustainable Agriculture Network/Rainforest Alliance.

These organizations, along with a number of other NGOs are largely responsible for the development of most voluntary social and environmental standards. Governments have since become involved in some of them, notably in organic agriculture and its regulation, but the majority of the programmes are driven by the agriculture sector itself, propelled by the expansion of certified products from niche to mainstream markets over the past 19 years. In fact, major supermarket chains now carry organic products in developed countries, and many of them also carry fair-trade products in Europe. Another example of the rise of voluntary certification is the fact that the leading three banana multinationals have in place some certification programmes in their plantations.

This rising interest in voluntary certification is reflected by the fact that sales of certified products have been growing rapidly in the last decade. In several developed countries, annual growth rates of 20 percent or more in volume were observed for many consecutive years. For some products, such as organic bananas, growth rates of close to 100 percent were reported in the late 1990s. While this high growth is over now, it is still faster than that of conventional food sales. For fair-trade labelled products, sales volumes are still growing at 10 to 25 percent per year in some markets, albeit from a low base. It can therefore be expected that the share of certified products in the overall food market will continue to rise.

However, there are some challenges ahead for the future expansion of environmental and social certification:

- Despite healthy growth rates, the market for certified foods is still very small, (especially in developing countries). While it is not uncommon for domestic products to reach market shares of 3 to 5 percent, the shares of labelled certified tropical products (i.e. organic and fair-trade together) are typically one to two percent of the total North American and European markets. This ranges from 0.8 percent in the coffee market to some 2 percent for bananas and fresh citrus.
- Part of the reason for the small size of the market lies in usually high price differences with conventional products. This price gap is partly due to the lack of economies of scale and inefficiencies in the marketing chain.
- Consumers are confronted with a growing number of certification seals and product labels. They are not always aware of what the labels actually mean and guarantee, and whether these claims are credible. As a result, only a relatively small share of shoppers is ready to pay a higher price for certified foods.
- The requirements, costs and controls imposed by certification organizations may be too big a burden for farmers, especially the smaller ones, who often lack the knowledge and resources to meet these requirements and costs.
- Finally, the monitoring of standard implementation is made complex by the fact that some criteria are difficult to verify, in particular social issues such as labour rights. This in turn may further increase the cost of certification.

This report addresses the above challenges. It first presents the current market for certified foods, followed by an analysis of the benefits and constraints of voluntary certification through a review of case studies. Several standard-setting and certification NGOs then explain how they help farmers meet their standards. The paper goes on to review the results

of the Social Accountability in Sustainable Agriculture project. Recommendations for increased collaboration between certification programmes are examined. Next, the report summarizes discussions on methods to expand the market for certified products, notably through partnerships among the actors of the supply chain. In particular, the potential contributions of retailers, consumer associations and citizen groups is explored.

Chapter I - Benefits of certification: does certification benefit farmers and society as a whole?

1. What is the world market for certified products?

Pascal Liu and Mikkel Andersen, ESCR, FAO

Producers, governments, retailers and various other international organizations are becoming increasingly interested in the market for certified products. Certification has become very popular and has received much media coverage, especially as regards organic and fair-trade products, but how big is the actual market for certified products? And can any producer access this market?

In order to guide decision-making and policy formulation, reliable data on the market for certified products are necessary. In particular, quantitative information on organic and fair-trade products should be available since they make up the world's largest and second largest markets for certified products, respectively.

Based on rough estimates, the total retail value of organic food sales was estimated at US\$23 billion in 2003, with fair-trade food sales estimated to be worth around US\$500 million. Unlike statistics for general agricultural commodities, however, official trade statistics for certified products are not recorded by national customs offices, so the actual market value of these products is relatively unknown. Therefore, the market values and analyses presented in this study are based on estimates for certified food in European, US and the Japanese markets.

The socially and environmentally certified products included in this chapter include products from fair-trade labelling programmes, organic production, Rainforest Alliance (RA) and SA-8000 certified products. Of these programmes, estimates for RA product sales are not available and the volumes of particular commodities are used instead. For instance, Rainforest Alliance certified bananas account for about 15 percent of the total banana exports from Latin America, or some 1.3 million tonnes, and 700 tonnes of RA certified coffee were exported in 2002. The situation for agricultural facilities certified SA-8000 is similar, although few enterprises have received this certification so far.

In the world market, developed countries are the main markets for certified products with more than 95 percent of sales, but there is a rapid increase in some other countries such as Brazil, Argentina, China and Egypt. Similarly, the EU member countries account for the bulk of the European market (more than 90 percent), but increases are beginning to occur in Central Europe (Czech Republic, Slovenia, Slovakia and Hungary). Switzerland has a very high per capita consumption. There is a large variation in consumption per capita across the different EU countries, with Germany, United Kingdom and France leading by volume as the most important markets.

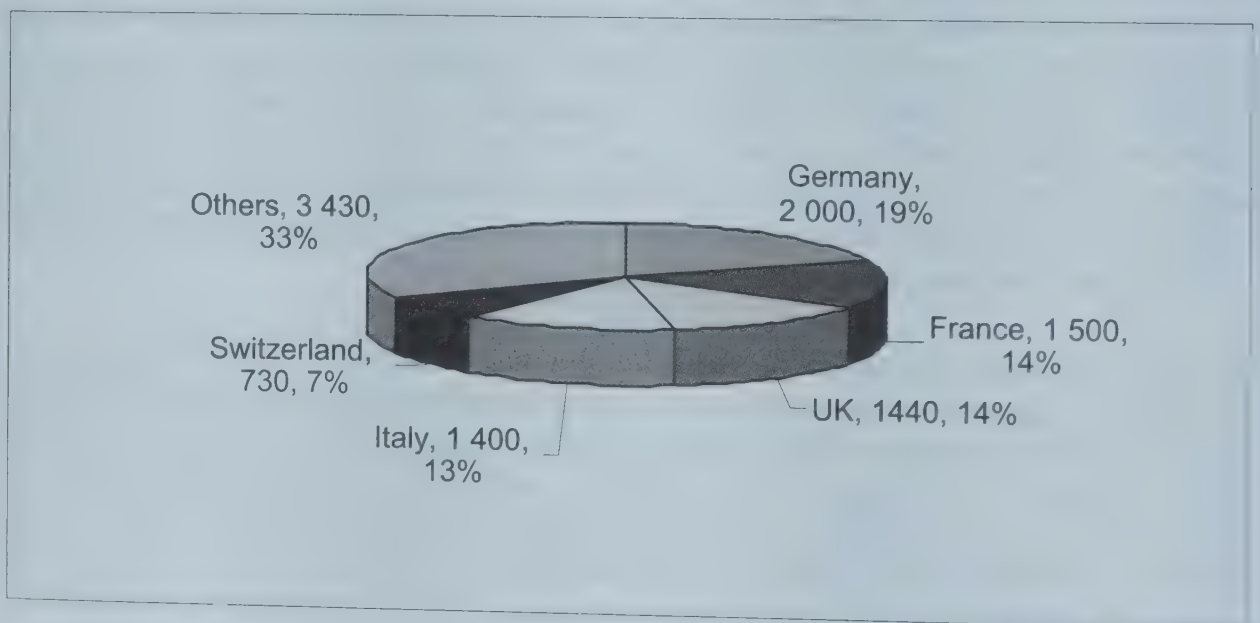
European Market

Estimates of the size of the organic food market in Europe in 2003 vary between US\$10 and 11 billion. Most of the sales take place in the countries of the European Union (EU), with Switzerland following at a distance with a market estimated at US\$750 million in 2003. Some organic foods are sold in Norway and Iceland, while consumption of organic products has just started in some Eastern European countries (e.g. Hungary, Slovenia and the Czech Republic). However, sales in these markets are almost negligible in comparison with the EU.

Although sales of organic foods have grown rapidly since the mid-1990s (annual rates of over 20 percent were witnessed), growth has slowed for the last three years. It was estimated at 8 percent in 2002. In the future, there is a risk of oversupply of organic meat and dairy products, with competition increasing in all products, potentially leading to price erosion. In organic fruits, however, demand is still high compared to supply. The EU market for certified organic fruit and vegetables could be estimated at US\$1.3 to 1.5 billion in 2000, accounting for between 15 and 20 percent of total retail sales of organic products. It is a very dynamic market that has enjoyed rapid growth since the mid-1990s.

Germany is by far the largest market for organic foods in Europe, followed at a distance by the United Kingdom, France and Italy (see graph below).

Estimated retails sales of organic foods in Europe in 2002 (million €)
(Source: FIBL/SÖL)



There is a wide variation in consumption across European countries. Per capita consumption of organic foods was valued at €99 in Switzerland, while it stood at €23 in Italy and below €10 in Greece in 2002.

Retail sales of fair-trade foods also remain high in Europe, with coffee and bananas leading as the most popular items. Annual growth of about 20 percent has persisted since 2000 within relatively new markets such as France, United Kingdom, Austria, Norway and Finland, whereas sales are either stagnant or falling in the more mature markets, such as Denmark, Netherlands and Germany. In 2002, fair-trade sales in Europe were estimated at over 75 000 tonnes (joint sales of FLO and ATOs) valued at over €300 million but only three countries — Switzerland, United Kingdom and the Netherlands — were actually responsible for two-thirds of total consumption. Coffee led the sales in value while bananas ranked first in volume (see table below).

Sales of FLO labelled products (metric tonnes)

	2001	2002	Growth %
Coffee	14 398	15 779	9.6
Tea	1 077	1 266	17.5
Bananas	29 066	36 612	26.0
Cocoa	1 465	1 656	13.0
Sugar	468	653	39.5
Honey	1 089	1 038	-4.6
Juices	944	1 387	46.9
Rice	0	392	
Fresh Fruit	0	29	
Total	48 506	58 813	21.2

Source: FLO, 2003

United States Market

The United States is the single largest national market for both organic and Rainforest Alliance certified products. In 2003, retail sales of organic foods amounted to about US\$11 billion. Although the growth of the organic market has slowed, it was reportedly still 20 percent in 2003. In comparison, the market for fair-trade products is showing rapid growth with rates recorded as high as 48 percent for coffee. However, fair-trade products were only recently introduced into the US market and still have very low sale volumes (a few thousand tonnes) compared with organics. Apart from coffee, which account for 91 percent of fair-trade food sales in volume, tea and cocoa are sold on the fair-trade market.

New lines of fair-trade products (e.g. mangoes, bananas, grapes) have been launched recently and their market is expected to expand strongly. Some natural food stores (e.g. Wild Oats) now carry fair-trade products. The market for various types of ecofriendly coffee (e.g. Rainforest Alliance, shade and bird-friendly coffees) was estimated at some 2 700 tonnes in 2002 and is also in rapid expansion. This growth is partly fuelled by the involvement of large coffee retailers or manufacturers (e.g. Starbucks, Kraft).

Japanese Market

The Japanese market for certified products has not developed at the same pace as the European and US markets and certified products therefore have a smaller share of the total food market. Japan is nevertheless often seen as a very lucrative market because of high prices and high incomes. However, Japan is also perceived as being a difficult market due to distinct quality requirements and difficulties in meeting the private standards and the general import regulations. However, this may evolve to some extent as important structural changes are taking place, including the implementation of the national regulation for organic certification (the so-called JAS law), and the establishment of the national guidelines for “specially grown products”.

Currently, several certified organic products, a few fair-trade products and Rainforest Alliance certified coffee are available to consumers in Japan. However, the Japanese market for certified food products has developed since the 1970s on the basis of the Teikei system, which is fundamentally different from certification. Teikei is a production agreement between producers and a group of consumers (Community Supported Agriculture in the United States and Argentina are similar systems to Teikei). Whereas certification and labelling serve as a means of governing transactions between anonymous parties, Teikei focuses on human relations and trust.

Until 1999, when organic agriculture was defined by law, most of the products in the Teikei system were considered to be ‘organic’, including those that were grown with small amounts of chemical pesticides or fertilizers. The importance was, and still is, placed on communication and mutual understanding between the producer and the consumer. Despite the expansion of organic products into conventional supermarkets, Teikei continues to be the basis of the organic food market in Japan. In fact, some supermarkets apply Teikei’s philosophy to communicate with larger groups of consumers. For example, Ito Yokado’s homepage for Visible Face Vegetables allows consumers to look up producer names and production methods for each product.

One of the main drives behind the expansion of Teikei-style systems is a rapidly deteriorating sense of trust with respect to food safety and reliability. During the last decade, Japan has experienced a series of food scares to which food companies sometimes have poorly responded. Some scandals involved false labelling of additives, others were about pesticide residues in imported vegetables from China. One scandal involved GM soybean found in organic tofu.

According to recent surveys, many consumers have begun to worry more about food safety (in one survey 62.2 percent of interviewed consumers rated ‘safety and reliability’ over price and taste). Accordingly, the government has responded with a series of food safety regulations, and food suppliers have started promoting the safety and reliability of their products. In this general trend toward safer food and more reliable food supply, the originally Teikei-based market for products grown in socially and environmentally responsible ways has begun to expand into the general market.

A deregulation of the wholesale sector in 2003 has enabled retailers to deal directly with producers. This has accelerated the initiatives among retailers to set their own quality and production standards to ensure food safety and reliability, and some use third party verification to monitor implementation. Although about 60 percent of the food consumed in Japan is imported, Japanese consumers' confidence in the safety of imported food is low. Therefore, it is expected that retailers and importers will increasingly demand compliance by foreign suppliers with their own private standards.

In 1999, the JAS law, the Japanese law Concerning Standardization and Labelling of Agricultural and Forest Products was revised and organic-JAS certification was introduced as part of this law. Under the new JAS law, all operators in the food supply chain must be certified in order to sell products with an organic label in Japan.

Domestic JAS certified organic production increased by 38 percent in 2002 but is still only about 0.15 percent of the total production. Therefore, the organic market depends heavily on imported products, especially for fruits, vegetables, and soybeans. However, volumes of imported fresh products decreased in 2002, which probably is due to the end of the 'grace period' in March 2002 for foreign organic (but non-JAS certified) products that were allowed to be used as organic ingredients for processing. This caused both inflated imports in 2001 and a decrease in 2002. Data on organic sales are not available and therefore have to be estimated from the production data. The total organic market is estimated to be between US\$0.95 and 1.05 billion.

A survey of supermarkets in the Tokyo area found that 95 percent of them carried organic products, but only 10 percent carried more than 20 product items. Foreign processed and pre-packed organic items such as instant coffee were only available at large, relatively upmarket stores. The principal products were traditional Japanese food, such as natto (fermented soybeans). Other widely available products included ketchup, coffee, roasted sesame seeds, peanuts and bananas. Furthermore, some major convenience store chains carry organic natto and konnyaku (jelly made from arum root) on a regular basis.

Organic products are usually 1.1-1.7 times more expensive than their conventional counterparts. Widely distributed organic soybean based products with imported soybeans are approximately 10 percent more expensive than their conventional counterparts, while the same products with domestic organic soybeans can be as much as three times more expensive. The main sources of information on organic foods are 'word of mouth', 'direct mail and advertisement', followed by 'television and mass media' and 'store front'.

Of the consumers already buying organic food, 46 percent intended to buy more organic in the future, while the other half intended to continue as at present. Of the persons who did not purchase organic foods at the time of study, 85 percent said they would like to buy organic food in the future. In the Tokyo area interest in organic foods is generally higher than the national average. Therefore, it is difficult to generalize these figures. What can be inferred from these findings is that demand for organic food is 'potentially' high. When the Japanese economy revitalizes, and more importantly, if the current interest toward safer and more reliable food favours organic supplies, this market potential could turn into reality.

The Guidelines for the Labelling of Specially Grown Agricultural Products were established in 1992 and revised in 2003. The guidelines contain production standards for products labelled as 'specially grown' (tokubetsusaibai or tokusai in Japanese). Before, there used to be various categories of reduced pesticide and reduced fertilizer grown products, which have now all come under one category. The guidelines do not have the same legal status as the organic regulation. Operators are expected to manage and check their own operations voluntarily. The implementation of the guidelines varies by prefecture. As of 2002, 39 Japanese prefectures (out of 49) had set up some type of certification system for non-conventional products. Of them, 27 had adopted the guidelines for specially grown products without changes. Some others use the guidelines as the basis of a registration system for market operators or use them merely for reference. 12 prefectures have certification systems based on their own standards. In the case of imported products, a foreign operator must use less than 50 percent of the conventional levels of pesticides and chemical fertilizers that are defined by a local authority (e.g. state, province), which is equivalent to a Japanese municipal government. If the relevant authority does not have conventional levels defined, the producer would have to determine these levels, and have such figures confirmed by that public entity. As is the case with organic products, the label of specially grown products must be removed if products are fumigated at the port of entry.

The sales value of the market for specially grown products was estimated in 2000 at around 300 billion yen. Based on information obtained from 29 prefectures, production in 2002 was estimated to be around 700,000 tons, considerably more than that of JAS-certified organic. A survey by IFOAM Japan shows that 42 percent of interviewed wholesalers and 48 percent of retailers intended to expand their sales of 'specially grown' products. Because the guidelines are implemented differently from one prefecture to another and because labelling specifications are varied and vague and are thus not very well trusted by consumers, suppliers often find it difficult to use this label at the national level or add any value to products with such a label. Although this market has potential to grow, the guidelines would first have to be clarified and its system made more consistent. In addition, special requirements to handle and label imported products should be addressed.

In Japan only coffee and tea are sold with the Fair Trade mark. Starbucks Coffee Japan, as well as AEON, a major Japanese supermarket chain, carry Fair Trade coffee in Japan. Furthermore, Alter Trade Japan has established Kokusai Sanchoku or 'international Teikei'. Instead of certification and labelling, this system is based on Teikei-style agreements between specific Japanese consumers and small producers from the Philippines and Indonesia, from where they import balangon bananas and eco shrimp respectively. They aim to engage in environmentally friendly activities; build relationships that are beneficial for all involved; pursue food safety; maintain clear pricing at all stages; and maintain stable transactions at fair prices.

Discussion

It was asked why certain certification programmes, such as ISO 14001 and EUREPGAP, were not included in the market survey. One of the primary reasons for this is the lack of aggregate data available (only individually certified companies have this information) and the difficulties involved in estimating volumes, especially since the products are not labelled. Although the aforementioned certification programmes are not included in the market survey, they continue to be included in ESCR's technical work on certification because they represent an opportunity for producers.

It was also noted that while the market figures for certified products were presented in value and volumes, the actual share of certified products in the food market of developed countries is only 2 or 3 percent for organic food products and less than 1 percent for fair-trade. There are still no figures for the share of Rainforest Alliance certified products or SA-8000 certified products, but SAI is in the process of gathering data on the volumes produced in SA-8000 certified facilities. For example, one of the largest multinational fruit corporations is SA-8000 certified, while another had all its farms Rainforest Alliance certified.

In view of the recent decrease in the growth rates of organic product sales, some participants asked whether it was possible to estimate a possible "saturation point" in the organic market. Opinions vary among analysts, but the figures cited range from an optimistic 10 percent for the market share of organic products to a more conservative figure of 5 percent. It is clear to analysts, however, that although growth in developed countries is slowing, potential growth exists in developing countries. It was the opinion of some panel members that the share of certified products in developed countries could be 5 percent by the end of the decade (see "The World of Organic Agriculture – Statistics and Emerging trends" available online at www.soel.de/Oekolandbau/Weltweit.html for more information).

An IFOAM representative asked if retailers would agree with the projections of the panel based on their own data. At present, it is difficult to cross check with retailer figures because of the confidential nature of the data. However, several initiatives to develop market information systems (e.g. the EU's EISFOM project) have been launched recently, and it is expected that more data will be available to the public in the near future. The resulting public scrutiny may reduce the current margins captured by retailers.

The above presentations show that there is some convergence of organic and fair-trade certification programmes. This is certainly the case for products like coffee (to the extent that double certification has increased two-fold). Participants asked whether this was also happening for other products. While figures are not available for other products, promotional campaigns show higher sales of products that are both organic and fair-trade certified. This is in line with a more general consumer preference for products that are multi-certified and reflects positive consumer attitudes towards reassurance schemes as they relate to food safety, social accountability or environmental sustainability. Companies like Chiquita are already using more than one certification label, but this may represent a problem for smaller producers lacking the resources to obtain several certifications.

The participant from the Coffee Federation of Colombia suggested that there may in fact be two scenarios which correspond to different productions strategies for the producer. In the first one, sales of certified products remain small and the market is a niche market with a high price premium. In the second one, price premiums decrease and the market for certified products becomes much larger. Which one is more likely to occur? Given the decrease in premiums, a panel member favoured the second alternative and quoted a recent study of the World Bank on the world demand for sustainable coffee (see publication at <http://www-wds.worldbank.org/default.jsp>). A reasonable estimate of the market share of certified coffee could be 5 percent.

A participant from the German Technical Cooperation Agency (GTZ) cautioned against using aggregate statistics of growth for certified products. For example, organic and fair-trade products have different rates of growth, reflecting differences in the levels of market development. Competition between the organization running certification programmes was not perceived to be a problem since they have different scopes, emphasize different issues and target different producers and consumers. Many now collaborate with one another, as seen with the SASA member organizations.

Some participants stated that not all certification programmes are necessarily reliable, and there may even be fraud in the use of labels. They insisted on the need for proper control mechanisms.

2. Farmers' experience with certification

Guadalupe Quiroz, Unión de Comunidades Indígenas de la Región del Istmo de R.I. (UCIRI) Mexico

UCIRI was created in 1982 by a group of small coffee producers in Mexico. In search of a more stable market to sell their products, they started an association based on basic principles of transparency, the word of God and the indigenous common culture. Today the association has 2500 small-scale producers (2-5 ha each) and has contributed to various local projects within the community including a micro credit scheme, a health centre, an education centre and local public transportation.

Producers in the association first began with improvements to both product quality and environmental integrity. Next was the internal control system for which documenting the development and implementation of all 20 annexes was one of the major challenges for the association. However, the implementation fees, costs of living and improvements costs associated with environmental protection made it increasingly difficult to become certified. Luckily, the association became linked with Max Havelaar in the Netherlands in 1988, which enabled its producers to have an additional US\$5 premium per kg.

Due to high costs, however, UCIRI aims to become certified by a local Mexican certification body instead of remaining with the international agent. The association remains concerned about the continuing confusion among producers and consumers about the many different labels and label requirements of certification programmes, competition from large producers and also their misuse of the term “made by small producers” most commonly seen in the market place today.

3. Benefits and constraints of certification: evidence from case studies

Cora Dankers, Consultant, Italy

Introduction

A variety of voluntary social and environmental standards and certification programmes in agriculture have appeared during the past twenty years. Governments have been or become involved in some of them, most obviously in organic agriculture and the related labelling. Other programmes are driven by the agriculture sector itself, such as, again, organic agriculture, or the programmes involved in the COLEACP Harmonized Framework or by the food retail sector, such as EurepGap. However, most social and environmental standards have been developed by non-governmental organizations (NGOs), such as the Fairtrade Labelling Organizations International (FLO), Social Accountability International (SA-8000 standard) and the SAN/Rainforest Alliance (‘sustainable agriculture programme’).

Producers who want to export are confronted not only by a plethora of import regulations, but also within those import countries by different niche markets for which additional requirements have to be fulfilled. From another point of view, their products may already comply with such requirements, and such niche markets may offer opportunities for increased market access or even price premiums. However, developing countries and smallholders may face specific constraints when trying to take advantage of social and environmental certification and the increased market access or price premiums they may deliver. In some developing countries a lack of local certification bodies increases certification costs. Furthermore, requirements for traceability favour large commercial farms. Some standards, such as SA8000, that focus on the working conditions of hired labourers, are not relevant for smallholders reliant on family labour. In contrast, the fair-trade system is especially developed to help small-scale producers in developing countries, but the potential benefits are curtailed by a limited market. Finally EurepGap certification may become obligatory for those producers wishing to sell to its retailer members. This may pose serious problems for those producers that do not have access to laboratories to execute the tests required, and problems may be expected in fulfilling the extensive documentation criteria.

Implementing standards and entering certified (and maybe labelled) markets have complex impacts on the economic performance of the farm. Production costs, yields and producer prices may each be affected positively or negatively, and have to be analysed together. Furthermore, initial investment costs are likely to be very farm specific. New crops or activities may be introduced into the system, complicating cost–benefit analysis even further.

There are no systematic studies available that assess the impact of certification programmes over a wide range of farms, crops and locations. However, a growing number of case studies have analysed – more or less comprehensively – their impacts on various costs and profitability aspects. This chapter gives an overview of documented case studies on the impact of certification on producers in developing countries. The selected cases all concern horticultural and tropical crops, and they focus on certified farms producing for the market, whether for local urban centres or for export.

This method of collecting 'evidence' has two dangers. First, mainly positive cases tend to be reported on, if only because failures will stop being a case. Second, no field verification could be done. Reported data have been cross-checked with other sources wherever possible. Third, most documented cases are those cases that were supported through a project with donor assistance. This is the main reason why less information is available on the implementation of SAN, SAI and ISO 14001 standards, but it can also be assumed that private organic initiatives are under-represented.

The focus of each case study, and hence the methodology used, varies between the cases. Some have focused on yields, others on profitability, others again on success factors and the role of supporting organizations. For each type of certification, an overview table is given of the data on yields, production costs and profitability in comparison with similar conventional production systems. In the description of each case, additional information is given.

Review of case studies on organic farming

A summary of the case studies is given in Table 1. From these cases, it becomes clear that traditional low-input farmers may expect productivity gains from organic agriculture methods. However, higher yields are usually accompanied by higher production costs, mainly in the form of increased labour demand. In particular, the introduction of new soil conservation methods, such as terracing and preparation of organic fertilizers, were often mentioned as increasing total labour demand. If soils were depleted under former land use management, these labour requirements can be expected to be higher.

The organic premium received usually covers these higher production costs and certification costs and the result is increased net profit. In former low-input situations, the increase in productivity might in itself compensate for higher production costs, without the need to access premium markets through certification.

It must be noted that in many cited cases the usual three-year conversion periods were shortened or waived completely, because the certification body was satisfied by evidence of former low or non-use of chemical inputs. This is an important advantage, leading to quicker returns on investments and less risk that price premiums will have come down by the time certification is obtained. However, Kidd, Tulip and Walaga (2001) observed a growing trend in certification for export markets of applying the same standards as in Europe, with less flexibility for shortening or waiving the conversion period.

In the few cases cited of conversion from high-input production systems, initial yield declines have been observed, usually recovering to levels slightly below the original conventional yields, and sometimes above original levels. Effects on production costs per hectare have been varied (lower, similar and higher). In these cases, given the initial investment costs and decline in yields, access to premium markets is essential – usually requiring certification.

In all cases, returns on investments in organic agriculture, especially in soil conservation methods and in conversion from high-input situations, occur in the long term only. Tenants and sharecroppers without a guarantee of continued access to the land are unlikely to make this investment. A farmer interviewed by Damiani (2001a) reflected on the long-term investments to be made:

"It would have been impossible for me to do organic vegetables if I were not the owner of the land. Anyone can rent a piece of land to cultivate cabbage or tomato with fertilizers and pesticides just for one year, but one has to wait for years to see the fruits of starting with organic crops. You work a lot with not much return the first year, but the soil gets better year after year because of the organic fertilizers and the crop rotation, and the productivity keeps growing. You cannot do all this effort one year and then leave others to obtain the gains of your effort."

Another important characteristic of many of the cases is the use of group certification involving an internal control system. It was observed by many authors that this was important to reduce the costs of certification. Such group certification has been reached in two distinct ways. First, through farmers' associations, with farmers participating actively in decision-making and monitoring, in which cases the certificate is owned by the association. In many of those examples, the certification costs were subsidized by donor organizations, subsidies usually declining after the initial years. The second system is exemplified by Uganda, where the exporter organizes and pays for the certification. Kidd, Tulip and Walaga (2001) argue that although this has the disadvantage that farmers are not allowed to sell to other organic buyers (but they are allowed to sell to any conventional buyer), this option is preferable where producer organizations do not exist or are weak. In general, given the importance of group certification for smallholder producers, the unclear status of group certification with regard to the EU regulation (and possibly also NOP and JAS) is observed as a barrier for further development of organic exports from smallholder producers.

It was often observed that the quality requirements of the new organic market were higher than for the former conventional market. This may be easy to understand for those cases where the organic status allowed more upmarket sales, away from local wholesale markets or middle agents (e.g. vegetables in El Salvador and coffee in Brazil and Guatemala). The reverse case was observed for mangoes from Peru, where switching to organic agriculture allowed sales to the less demanding pulp plant. In the case of sugar from Argentina, the organic processor demanded a 'cleaner' product. In the Dominican Republic, price premiums were apparently not enough to justify the necessary investments to significantly improve the quality of organic bananas grown by small-scale producers, and it is increasingly difficult for them to compete in the nowadays more demanding international organic market.

Review of case studies on fair-trade certification

A summary of the case studies is given in Table 2. In all the cases involving farmer cooperatives, it is clear that the fair-trade price premium is only part, and often only a small part, of the benefits derived from the fair-trade system. The success in self-organization seems to be far more important, resulting in better bargaining positions, better credit worthiness and economies of scale. The fair-trade system contributes to these organizational successes through capacity building, an initial guaranteed market, linkages with the international market and learning-by-doing in exporting. In addition, and similarly to the organic cases, fair-trade contributed to quality improvements.

In the analysis, one would ideally like to separate the contribution from the fair-trade marketing system from the contribution of additional development aid activities. If benefits result mainly from the marketing system, an increase in market share for fair-trade products would be necessary to be able to repeat such successes with other farmer groups. In contrast, if benefits result mainly from the additional aid activities, one could also replicate the approach taken by these activities without needing a fair-trade market. However, it seems that both have been mutually supportive and highly interlinked.

A concern for the future development of fair-trade is the reported general lack of knowledge about fair-trade among individual members of large cooperatives. One could have doubts regarding the “effective democracy” of large cooperatives, and suspect the emergence of a new “management class”. The latter is not bad per se, as any organization would benefit from having professional management, as long as it is effectively and democratically controlled by the members.

Maybe of importance for long-term development is the perception of many consumers that paying a higher price is directly improving farmer incomes. As can be concluded from these cases, that is not always the case. Those consumers would have to be convinced that the development of organizational capacity of farmer groups and the credit and educational projects financed by the premium are contributing to longer-term improvements in living standards.

As noted earlier, the supply from FLO-certified producers is much higher than demand. This is one of the main reasons that the fair-trade premium does not always directly improve farmer incomes. Often a low percentage of total production is sold in the fair-trade market, e.g. in the cases of coffee from Tanzania and cacao from Ghana. A higher market share is required to be able to have a more direct impact on income.

Matters are different in the case of organic fair-trade. Due to the more individual certification controls, the farmers are much more aware of the “labelling” and the organic fair-trade premiums are significant. Two farmer organizations (UCIRI and ISMAM) have also managed to sell a large part of their products under their own labels, and therefore there has been a direct impact on farmer incomes.

For hired labour situations, the case of VREL in Ghana is the only example here, but cannot serve as a typical case from which conclusions can be generalized. Without fair-trade, VREL would not have obtained EU import licences, so fair-trade saved VREL. Surely, such an impact is difficult to replicate.

Review of case studies on other voluntary standards

A summary of the case studies is given in Tables 3, 4 and 5. There are much fewer documented case studies that contain information on costs of compliance and impact with reference to standards other than those relating to organic farming and fair-trade. Because there is only one example for each standard, it is difficult to draw general conclusions from the case studies. However, the case study on citrus in Costa Rica is representative of SAN standard implementation in so far that there is no price premium or label involved and that after standard implementation the situation is quite static.

From some case studies on wine in South Africa, it is clear that cost of compliance to the SA-8000 and ETI standards depends very much on the starting situation and on the exact interpretation of the standard. Costs of compliance change dramatically if the living wage or housing conditions are specified differently.

Conclusion

Traditional low input farmers may expect productivity gains in the long term when implementing organic methods, but these are frequently accompanied by higher production costs, mainly in the form of higher labour demand. In these cases, access to premium markets through certification usually results in increased net profits. The case studies that report conversion to organic from high input systems observed initial yield declines. Yields in general recovered partly or completely over time. Effects on production costs have been very mixed, but very often involved substantial initial investment. In these cases access to premium markets, normally requiring certification, is essential to compensate for yield declines and investments.

For farmer cooperatives that are certified by Fairtrade Labelling Organizations International (FLO), the fair-trade price premium appears to be only part, and often a small part, of the benefits derived from the fair-trade system. Organizational progress, better bargaining positions, credit worthiness and economies of scale seem to be more important. The benefits result from the fair-trade marketing system and the additional support activities by other agencies, which appear to be highly interlinked and mutually supportive. The effect of the fair-trade premium is limited due to the often small part of total output that is sold via the fair-trade market.

Both organic and fair-trade certification seem to lead to general quality improvements, which in themselves are also valuable in conventional markets.

For the other standards discussed in this chapter, only a limited number of case studies were available, reporting from only a single country for each standard. Therefore no generalizations can be made on the impact of such standards and certification programmes.

More details on the above study can be found in the FAO publication "Environmental and Social Standards, Certification and Labelling for Cash Crops" (2004, see Annex).

Table 1 - Overview of farm economic data from case studies of certified organic cash crop production in developing countries

Case	No. of farmers	Cost of production	Yield	Price premium	Net profit	Remark
FRUITS AND VEGETABLES						
1. El Salvador, Las Pailas, vegetables	66	Extra labour demand	?	yes	?	Difficult to compare conventional 2-seasonal system with year-round organic rotation.
2. Peru. Alto Piura, mango	200 (of which 64 certified)	Production costs/box: -33% Harvesting costs: -82%	Similar or slightly up	-18% (organic pulp versus conventional fresh)	Profit/box +170%	For pulp plant, no grading necessary
3. Uganda, tropical fruits	10-20	Similar (certification paid and owned by exporter)	Similar	none	similar	Certification of existing system, for market security.
4. Dominican Republic, bananas	> 450	+8%	Similar	+22-29%	+50%	Quality problems and market power of exporter makes future unsure for small-scale producers.
5. Costa Rica, Talamanca, banana + cacao APPTA	1 100	Higher (labour)	Higher	150% (cacao)	Positive in terms of return on labour	3 production systems: a) cacao + fruits + trees b) banana + fruit + trees c) cacao + bananas +fruit + trees
COFFEE						
6. Brazil, Baturité mountains	158 (of which 110 certified)	Higher	?	Only during three years	Higher during three years	Certification abandoned due to loss of premium export market after three years.
7. Costa Rica, paired study	10 pairs of 1 conventional + 1 organic	Average: +4.5%	Average: -22%	Average: 20% ±7	Average: - 4.5%	High variation between pairs.
8. Guatemala, Cuchumatanes Highlands	370	At least +15% (project subsidy for certification costs)	+38% to +67%	+30% in 2000 and +18% in 2001 (green coffee)	Higher	Road construction reduced transportation costs (also benefits conventional farmers).
COTTON						
9. India, Maikaal Project	>1 000	-30% to -40%	+20%	25%	Higher	
10. Uganda, EPOPA	24 000	Similar (certification paid and owned by exporter)	Similar	15-30% (on farmgate price)	Up <30% (also extra profit for exporter).	Basically, certification of existing production system
SUGAR CANE						
11. Argentina	600	Similar per ha +34% per tonne in 2001	-25%	+75% in 2001. +35% in 1998.	+118% in 2001.	Main benefit: sugar mill stayed open
TEA						
12. Sri Lanka, Biofoods, tea and spices	443	?	?	Tea: 100% (including fair-trade premium?) Spices: 10-30%	?	Certification paid by exporter or other agency

Table 2 - Overview of farm economic data from case studies of fair-trade registered producer organizations

Case	No. of farmers	Cost of production	yield	Price premium	Net profit	Remarks
FRUITS AND VEGETABLES						
1. Ghana, Bananas VREL	900 workers	Higher	?	Much higher (on local market 30 percent of export price)	?	Without fair-trade no access to EU market
CACAO						
2. Ghana, Kuapa Kokoo	30 000	Producer level: No change. Cooperative: lower overhead	No change	+8% in 1998 +100% in 2000. Premium received for 2-5% of total sales		Main effect through development of viable farmer export company
COFFEE						
3. Bolivia, Fair-trade and/or organic		? higher labour costs especially for organic	? similar	+136% (fair-trade organic, 14% of sales) +113% (fair-trade, 7% of sales) +44% (organic, 40% of sales) (2000 figures)	Higher	Organizational problems, not all cooperatives access niche markets
4. Costa Rica, COOCAFE (including 9 co-ops)	Each co-op has 140 to 530 members	Producer level: ? Cooperatives: higher	Similar	Producer price Sarapiquí co-op: +25% to +60% Cooperatives retain 30% of premium	Producer level: Higher Cooperative level: Higher	Producers also enjoyed better services from their cooperatives.
5. Mexico, UCIRI	4 800	Higher	+100% on average	Organic and fair-trade premiums	?	
6. Mexico, Café Mam, also organic	1300	+47% (incl. higher harvesting costs due to increased yields)	+30-50%	45% in 2000 and 65% in 2001.	family income +30% increase on average	ISMAM calculates average premium from organic, fair-trade and conventional sales
7. Tanzania, 4 cooperatives	Kagera union: 40 000	Same	Same	Fair-trade premium on 5-10% of total sales, used for projects	Similar	Benefits on cooperative level to compete with private traders

Table 3 - Overview of economic farm data for a farm that implemented the SAN standard

Case	No. of farmers	Cost of production	Yield	Price premium	Net profit	Remark
CITRUS Costa Rica, Del Oro SAN and organic	1	SAN: amortization of investment costs of total production costs Organic: amortization of conversion period 1.3% of total. Total costs per ha +9.7%	SAN: similar Organic: initially -50%, after 3 years -36%	SAN: none Organic: (US\$0.42 / pps)/box ⁽¹⁾	Very variable depending on conventional and organic prices	SAN incl costs for norm development. Organic: lack of initial research

NOTE: (1) pps = pound per solid.

Table 4 - Overview of economic farm data of farms that implemented the SA8000 norm or the ETI Base Code

Case	No. of farmers	Cost of compliance	Yield	Price premium	Net profit	Remark
WINE – SOUTH AFRICA						
Fairview SA8000	5 + winery	Winery: US\$20 854 (management system), US\$5 064 (initial investment), then US\$3 648 annually Farmer: 1.3% of turnover	No change	No	Winery: similar (costs not onerous) Farmer: minus 1.3% of turnover	No data on yields or profits
Graham Beck Wines	1 (estate)	US\$673 (planning), then US\$3 207 annually	No change	No	Similar (costs not onerous)	No data on yields or profits
Sonop Savisa	1 (estate)	US\$1 460 (planning), then US\$11 406 annually	No change	No	Similar (costs were 0.1% of turnover)	No data on yields or profits
Vredendal Cooperative	160 + cellar	Winery: US\$2 918 (planning), then US\$38 491 annually Farmer: US\$1 459 (planning), then US\$12 446 to 14 719 annually	No change	No	Winery: less Farmer: much less (bankruptcy?)	No data on yields or profits

Table 5 - Overview of economic farm data for a group of suppliers who implemented the EurepGap standard

Case	No. of farmers	Cost of production	Yield	Price premium	Net profit	Remark
PINEAPPLE						
Ghana, suppliers Blue Skies	18	On average total costs were equal, – fixed costs increased +7.8% – variable costs decreased	Similar, Reject rates rose insignificantly	None (guaranteed market)	On average +7.8%, statistically not significant and large variation	Costs of training, certification and laboratory analysis borne by exporter

Discussion

In most cost-benefit studies of certification, costs are not linked to social and environmental impacts. The presenter noted that in many cases, quality issues are incorporated in costs since the majority of certified products targeted the upscale markets with higher quality requirements.

In the conversion to organic agriculture, production and processing costs such as labour often rise, whereas input costs decrease. This depends however on the previous farming practice (whether it was a low or high input system) and the farmer's access to labour. In low input systems, if costs are reduced to a level comparable to the costs of conventional production, then the farmer does not need to depend on price premiums. Such a situation is particularly beneficial for small producers, as it gives them the option to decide whether the investment in organic certification is actually necessary or if the conversion to organic farming is sufficient in itself.

The importance of sustainability in the long-run was emphasized, as small producers and cooperatives may become dependent on external funding from NGOs and aid programmes. They may also become dependent on one or two buyers, which is also problematic and not sustainable in the long term either. Therefore, assistance programmes should work towards making the long-term return on investment more profitable, which means analysing both the internal and external investment before decisions are made.

**Chapter II - Overcoming the constraints of certification:
facilitating certification through NGO initiatives**

1. The International Federation of Organic Agriculture Movements

Jorge Casale, IFOAM Argentina

Representing 720 mainly private organizations in about 98 countries, IFOAM is working towards the goal of worldwide adoption of organic agriculture. The organization represents producer organizations, NGOs, importers, retailers, certification bodies, etc., 44 percent of whom are based in Europe and 40 percent in developing countries. The primary IFOAM activities include maintaining the International Organic Guarantee System, advocacy work, publications and conferences.

IFOAM is currently trying to overcome constraints in certification through a number of activities relating to the organic guarantee system. These include:

- continuous revision and development of basic standards and criteria for accreditation (necessary to ensure regional flexibility);
- monitoring the accreditation of certifying bodies;
- working to harmonize the different national standards;
- lobbying governments to base national regulation on the IFOAM basic standard.

To support smallholders and especially those selling products on local markets, IFOAM recently held an international workshop in Brazil to find appropriate mechanisms for these farmers in order to evaluate and guarantee organic production methods. Such mechanisms include, but are not restricted to, certification initiatives and those built on internal control systems (ICS). IFOAM has recognized the importance of being open and able to learn from these alternative certification initiatives for the commercialization of organic products in local markets.

2. The Rainforest Alliance Certification

Thomas Divney, Sustainable Agriculture Network (SAN), Costa Rica

The Rainforest Alliance offers farms a business-to-business service in order to help transform land-use and business practices into more sustainable practices. Its mission is to protect ecosystems, including the people and wildlife that live within them, through a variety of programmes in forestry, agriculture, tourism and natural forest products. The resulting products are labelled, depending on the preference of the certification body involved. Overall, the Rainforest Alliance works with a number of basic principles including environmental, social and economic aspects and the programmes are implemented through a network of nine national NGOs that also function as their certification bodies.

Farmers are generally very interested in knowing about the advantages of certification which may include social, environmental and economic benefits. Consumers are also interested in certified products, and although the concept of sustainability is not always easy to sell, the products tend to have broad consumer appeal as demonstrated by the growth in "the green

market" and the interest shown by large buyers. While the Rainforest Alliance continues to work with small farmers, it is also its strategy to collaborate with the industry in order to open up more self space (and hopefully more mind space among consumers). With these buyers, the Rainforest Alliance tries to make them buy at a higher price for the certified products through a free market approach because the programme does not set any fixed price premium.

Within the coffee certification programme, an example of such industry collaboration is the agreement with KRAFT which helped stimulate growth in the market over the last year by purchasing 500 million pounds of RA coffee this year (and double that the next year). In this case, the company will buy at a premium but continue to use their own brand on the package. Such certified products are also actively promoted within other industries like food service and catering. As a result of these initiatives, the United Nations Secretariat General in New York, along with a few others, have started to sell RA certified coffee in their canteens.

3. The Fairtrade Labelling Organizations International, FLO

Olaf Paulsen, FLO, Germany

The main focus of the Fairtrade Labelling Organizations (FLO) and its member organizations in now 19 consumer countries across the world is to guarantee a better trade arrangement for producers in developing countries. At present, however, the range of fair-trade products from developing countries is limited and the products only account for about 1 percent of the total food market (the share of fair-trade products in the total amount of *exported* products is not known). Despite the market constraints outlined in previous presentations, it is important to look beyond what is possible today and tomorrow as it may limit what could be achieved in the future. In fact, the biggest constraint of fair-trade today is that the markets are not growing fast enough to cope with the needs and the demand of producers in developing countries — this is the case even with a market growth of 20 percent per year.

To overcome these constraints and increase sales rapidly, a very diverse and extensive marketing strategy is needed; one which engages consumers in the issues surrounding fair-trade and helps to link stakeholders together. This strategy is well illustrated by the UK Fairtrade organization and its implementation of the Fairtrade Fortnight. During this nation-wide event in March 2004, a large number of promotional activities occurred all over the nation: traditional boats brought bananas from the Windward Islands; cities competed with each other to sell fair-trade products and links were made between producers and consumers. The organization also implemented a system whereby "Fairtrade status" is allocated to towns, cities and universities where such consumer and retail measures are in place.

Given the higher price premium absorbed by consumers purchasing fair-trade products, promotional activities like those mentioned above are often necessary to make the consumer aware of issues surrounding the products. The increase of total sales under fairtrade labelling in 2003 (+ 40 percent overall) is a first indicator that there is a rapid expansion now. A number of

retailers have reacted to the interest by adapting the concept into their own company philosophy, enabling a more proactive interaction with the consumer. In fact, pressure is now coming from the retailers to diversify the fair-trade product range, a request which FLO is trying to fulfil as quickly as possible without losing sight of its original mandate.

Therefore, constraints to increasing the fair-trade market lie primarily with the retailers and consumers at the end of the supply chain, which makes consumer awareness even more essential. In terms of future strategies, the fair-trade organizations intend to focus on the partial adopters and the occasional conscience buyers to improve the market share.

4. Social Accountability International (SAI)

Alice Tepper Marlin, SAI, United States

SAI has three main elements to its mission: 1) to develop social standards (the SA-8000 labour standard); 2) accreditation of SA-8000 certification bodies; and 3) capacity building and education through training activities. Currently, there are SAI certified work facilities in 10 countries, with more than half of these located in Italy, China and Brazil. Although it began in the manufacturing industry, SAI now works in the agricultural sector. Today, about 10 percent of its certified facilities are in this sector, examples of which include Dole and Chiquita banana plantations in Colombia and the Philippines.

To determine the impacts of implementing the SAI-8000 standard, SAI is conducting cost-benefit analysis studies. Results indicate that there are significant benefits at the farm level, primarily relating to quality improvement, productivity increases, workers' moral and finally improvements in the company revenue. Initially, the companies tend to be focused on the costs associated with certification but they quickly realize that there are greater benefits to be realized by investing in worker training, health and safety, and ensuring decent working hours. Among other things, benefits for employers include reduced employee turnover, easier recruitment and even new sales opportunities.

Workers also benefit from certification in a number of ways, such as: potential for advancement due to more training; fewer accidents; reasonable and safe work hours; less discrimination in the work place; and remuneration to meet basic needs. In the longer term, the programme aims to increase the number of children attending school so that families can break out of the cycle of poverty.

Discussion

In the promotion of certification efforts, it is important to look at the effect of governmental policies, such as the recent EU organic action plan, on the international market.

It was asked whether the Rainforest Alliance and Social Accountability International are tracking price premiums back to producers and workers. The Rainforest Alliance is in a preliminary stage of developing a tracking system for premiums with the help of a US Government grant to explore coffee production in particular. However, it was emphasized that they are complicated to monitor and should not be the only parameter involved. Since SAI does not control the price in any way, they do not track premiums. However, it has recently started to monitor the implementation of the standard by companies and the associated costs of implementation along the supply chain. At some point, this may also include price but again, it is only one out of many important factors.

Lastly, the importance of working for more transparency along the supply chain was stressed and the Rainforest Alliance was applauded for their agreement with KRAFT. The advantage of targeting the mainstream market is the magnitude of the impact.

5. Facilitating the certification of smallholders through internal control systems: insights from the SASA Project

The text below was produced by the Secretariat of the Social Accountability in Sustainable Agriculture (SASA) project. It summarizes the full report on Internal Control Systems that is available on the SASA Web site¹.

A key sub-objective of the SASA project is to *address the particular needs of smallholder producers in the development of social guidelines for sustainable agriculture*. The increasing involvement of corporate agribusiness in social and environmental certification and labelling systems triggered the SASA Project to explicitly address the interests of smallholder producers, which might otherwise be overlooked. An exploration of group certification was the primary means to address this overall question.

Group certification is used in the organic sector as a way to allow small producers in developing countries (organized as cooperatives or farmers organizations) to certify products for western markets via an internal control system (ICS). The SASA Project used the ICS as a starting point for addressing smallholder issues, as it is a functioning mechanism in the organic sector to lower certification costs and allow small producers to access certification and export markets.

A key component of the SASA Project was the nine pilot audits taking place in different countries, each addressing different production systems. ICS learning was a focal point throughout four SASA audits that involved producer groups in developing countries: Thailand

¹ For more information on the SASA project, see <http://www.isealalliance.org/sasa/>

(rice), Burkina Faso (mangoes), Costa Rica (coffee) and Uganda (cotton). The SASA audit teams, including auditor and research representatives from the SASA organizations, jointly examined key issues with respect to the local and sectoral contexts of each audit, grappling with the challenges and opportunities for ICS in organic and social certification. Drawing from audit exercises, stakeholder meetings and steering committee discussions, project learning on ICS can be identified as covering the three main areas listed below, with a fourth learning module that, though slightly more abstract, is nonetheless apparent:

- **ICS and smallholder access to certification**
- **ICS and social certification**
- **Internal control elements in SASA**
- **Organizational coordination opportunities related to internal control (a generic management system for smallholder producer groups)**

SASA Project learning evolved from initial examination of the organic internal control system (ICS) in terms of inspectability, certification access and producer training. Key reflections are outlined in section 5.1 below. This foundation permitted a comparative discussion on the elements of internal control, monitoring and smallholder access operating within each of the four participating systems. A key question for the SASA project was whether the scope of the ICS tool could be expanded for use in social certification or for development purposes beyond certification. This is discussed in section 5.2.

The project continued its learning trajectory with an in-depth examination of the different *kinds* of internal control used by SASA organizations. Beyond the primary objective in the IFOAM ICS - to control internally the compliance with the production standards and assure the specific quality requirements - other internal control functions ranged from financial and product traceability to systems with developmental goals or continual improvement approaches that could support capacity building amongst producers. This is summarized in section 5.3. The final outcome of the SASA Project on this theme is the conceptualisation of a generic management system for small producer groups that provides a basis for meeting certification requirements of the different systems (see section 5.4). A manual template for the producer groups synthesises the learning about common elements and shared goals with respect to small producer groups (see appendix of full document on the SASA Web site).

5.1 ICS and smallholder access to certification

The organic group certification mechanism for small producers in developing countries – internal control systems – was the starting point for examining the strengths and weaknesses of current structures, and the associated challenges and opportunities for addressing smallholder needs. Organic certification bodies have certified smallholder producer groups since the mid-1980's with principles and basic benchmarks laid down in IFOAM's Accreditation Criteria. However in 2003, IFOAM finished a process to set more precise levels and definitions for implementation of ICS inspection and certification (definitions of an ICS, basic elements, evaluation protocols,

appropriate re-inspection rates, risk assessment tools, etc.). Although not available for most SASA audits, these practical guidelines and definitions are regarded as highly useful by SASA partner organizations and will be a reference point in future.

Two cases of organic sector approaches to smallholder group certification provided the basis for the SASA Project's examination of the organic ICS. On both the Thai rice audit and the Burkina Faso mango audit, the structures in place for inspection, capacity building and traceability were presented. The teams met with certifiers, farmers, the technical extension teams and internal inspectors to gain insights into the workings of these organic models. Other SASA organizations have learned a lot from IFOAM regarding smallholder access and group certification. SAN has, for example, developed an ICS system, largely based on the organic group certification model. FLO is currently considering how best to apply ICS to their systems, perhaps for environmental criteria, or for second level cooperative certification that covers both social and environmental aspects. Key points from the audits with respect to the organic ICS are listed below.

Internal inspector/extension officer dual roles

Both extension and inspection are integral to the ICS, but need to be better nuanced and defined. ICSs are claimed to be a means to create cheaper certification systems, yet division of the internal inspection and extension roles increases the workload and costs of employing internal staff. The organizational costs of a functional ICS – especially in the beginning – might prove to be higher than individual certification, but the additional benefits for the producer include training, extension and market access. It makes logistical sense, and is more cost effective for an internal inspector auditing an ICS to provide extension advice at the same time; however, this raises a potential conflict of interest. Ways to address conflict of interest include rotating roles amongst inspectors - internal inspectors would refrain from consulting in the communities where (s)he inspects. IFOAM's approach was regarded as best practice amongst the SASA organizations.

Documentation - burden and learning tool

ICSs bring more structure to farm management through the documentation of farm inputs/outputs and relevant actions. Record keeping can be regarded as a positive learning outcome of the ICS, wherein farmer understanding and monitoring of on-farm balances improves, the farmers become more organized, they meet regularly and are part of a learning process regarding certification. Planning and learning are outcomes even at early stages as production plans compel farmers to think ahead. That said, despite the positive outcomes associated, the documentation requirements of ICSs tend to demand a lot of extension officers' time. Documentation workload is a repeated concern.

Nuancing ICSs: endogenous versus out-grower scenarios

Internal control system guidelines (i.e. EU regulations or organic certification body standards) are applied universally, yet in stakeholder discussion, two distinct forms of organic ICS emerged:

- a. *Endogenous ICS*: farmer associations with well-developed and active internal systems
- b. *Out-grower ICS schemes*: group certification driven by economic objectives as opposed to internal support and producer development.

Each model exhibits different needs and incentives. An ICS of the first type has its own standards and system – it reflects ownership of the producer group. The second scenario is characterized by farmers who are suppliers to a buyer where the buyer controls the ICS through the implementation of external guidelines to regulate the supply chain and outsourced farmers. These are two very different systems with different dynamics that need to be understood by certification bodies. For social as well as environmental certification, the methods used and risk analysis done prior to inspection may well need to be tailored in order to reflect the distinctive character (out-grower versus endogenous) of the ICS being assessed.

Heterogeneity in sampling populations

Heterogeneity within a producer group renders group certification very difficult. Such heterogeneity can be expressed in different ways including:

- Degree of dependence on the income derived from commercialization through the cooperative;
- Internal operations of the producer group and the sharing of income amongst members, and;
- Producer perception of the cooperative - as an intermediary versus as *their own* organization.

In field visits on the Burkina Faso audit, the challenge of heterogeneity for group certification became apparent. For example, in one case, when village-based sub-groups drew small parts of their income from commercialization via the cooperative, they proved to be more individualistic, less directly feeling the benefits of cooperative membership. By contrast, other sub-groups showed a high degree of solidarity and interest in organic certification and principles. This may be related in part to the level of producer dependence on group commercialization for their annual incomes. Such differences in the sampling populations make random sampling unreliable and inappropriate, as well as demanding strong organizational knowledge on the part of the inspector.

Sampling

It was agreed that the sampling formula embraced by IFOAM and supported by the EU Commission Agricultural Directorate General regarding equivalence for group certification of producers in developing countries, represented best practice and a sound foundation for sampling. This formula includes risk assessment as an integral part of choosing an appropriate sample size. IFOAM requires minimum compliance criteria, however the existence of risk areas (both in terms of production and ICS organization) do not lead to de-certification provided that the risks are managed internally. Higher risks imply that the external inspectors will require more sample inspections and thus lead to increased costs.

ICSs and development

In many cases, an ICS does not initially function in a certification capacity, and can instead be conceptualised as an 'ICS in development', focussing primarily on capacity building. The ICS is, as such, a means to coordinate commercialization, and technical training on organic methods and standards. The cooperative puts in place a technical team who is responsible for training/advice and internal inspection of the organic producers, and the ICS database can speed-up external certification processes. However, investing in an ICS while at the same time paying for 100% external inspection is extremely costly. A key question is how to determine a producer group's readiness for certification via ICS.

Challenges for the broader West African context raised on the Burkina Faso audit

Challenges include the following:

- ICS is a tool without instructions, without good models regionally and lacking opportunities for producer exchange on best practices;
- Recognizing 'development factors' sometimes contradicts organic integrity – inspectors need to verify actual situations rather than potential;
- Determination of a producer group's readiness for ICS certification is critical;
- Commercialization versus social/environmental benefits can be a source of tension.

While raised in the SASA Burkina Faso audit, these challenges are applicable to other contexts where ICS does not have a long history of implementation. IFOAM is addressing some of these concerns by developing training manuals for both setting up an ICS and for ICS evaluation by external inspectors. In terms of capacity building and a developmental/progress-based approach, coordination amongst SASA organizations – particularly between FLO and organic certification bodies – may allow some of these challenges to be addressed.

5.2 ICS and social certification

The SASA project looked at how the ICS tool, initially developed for organic group certification, could be also be used for social certification purposes. In addition, a further question was how could the results of social and environmental audits of smallholder production be used for development purposes beyond certification? Using the organic ICS as a model and considering internal control mechanisms beyond organic (including the evolving SAN model) project discussions explored ways in which small producers are or could be benefiting (in terms of social development) from sustainable agriculture certification.

On the Thai and Costa Rica audits in particular, SAN, FLO and SA8000 perspectives on social certification via ICS in light of each organizations own priorities and approach were explored. IFOAM was interested in learning from its partner organizations – with more developed social standards – about how social accountability could be best integrated into organic practice and certification. Perspectives related to ICS for social certification include the following discussion areas:

Documentation burden related to social issues

An ICS used for social certification would need even more documentation than is currently necessary for meeting organic standards via an ICS, thus requiring field revision of documentation and registration maintenance in order to assess the viability of the system. The issues outlined above regarding documentation continue to apply and may well be exacerbated with additional social certification requirements. However, if social requirements are narrowed down to their essence, then what is directly relevant for the small producer context can be clarified. The importance is to ensure compliance with the spirit or intent of the standard. When adding new requirements to the system, processes rather than checklists should be sought.

Certification systems 'piggy-backing' on each others' foundations

Many principles or requirements are common amongst the four systems. In recognizing the common features, the efficiency of building on the base already in place became obvious. This issue was further developed in later audits and is the foundation for the generic management system for small producer groups.

Definition of relevant social issues

Concerns were raised as to the applicability and relevance of many social issues in the smallholder context. For example, labour rights issues as applied to smallholder producer contexts are difficult from a social auditing perspective given that many smallholder producers mainly use family labour and are not structurally dependent on hired labour. Local labour exchange systems within a given community may also be common as was seen in the Thai and Ugandan audit exercises. These particular issues may not lend themselves to the current social

standards in place. However, other social and socio-economic issues such as those defined in FLO standards – producer access to markets, fair prices and democratic decision-making within the producer group, amongst others – were agreed within SASA, to be relevant to the smallholder producer context.

ICSs and processes of development

ICS is meant to be an internal monitoring system – a quality assurance programme – designed internally to satisfy external requirements for certification. An 'internal' system can only work if it is *owned by the producer group*. This experience of growing from a group of independent farmers to a complete functioning ICS is a process of development. An ICS is not static. It needs to start somewhere and develop with the dynamic of the group. Internalization of standards however, takes time. Neither the market nor certification bodies allow for extensive growth before compliance is reached. Imposing a pre-determined structure does not fit with a more developmental approach based on progress. A challenge is how to allow for processes of development in certification. Using FLO's development framework and experience to support organic ICSs as they develop (through progress requirements) is one example of the coordination potential amongst SASA organizations.

5.3 Internal control elements in SASA organizations

Over the course of the SASA audit exercises, a process of understanding and comparing elements of internal control within each initiative's system was developed, and culminated in the Costa Rica Audit. In the Costa Rica audit report, basic, compatible and unique elements of internal control were identified for each SASA organization. These elements describe the overlaps and areas for potential coordination amongst the organizations. A methodical comparison of the kinds/elements of internal control in each SASA organization provided a basis for coordinated diagnosis of internal control needs. Different kinds of control found within the SASA initiatives include product traceability, financial traceability and supplier control mechanisms amongst others.

Comparative charts coming out of the Costa Rica audit allow consideration of where SASA organizations might better collaborate with or complement one another (e.g. joint auditor or producer group training, integrated inspections). For example, the box below illustrates some of the common ICS requirements of FLO, IFOAM and SAN.

IFOAM/SAN/FLO Common Basic Control System**Required records and “database” documentation about the farms**

- Responsibility allocation
- Clear communication, information flows and understanding
- Improvement Plan
- List of Producers and link to farms (code to trace back to farm - chain of custody)
- Sanctions and corrective actions on policies
- Sales
- Internal product flow records

Basic Elements Organizational Level

- Policies and procedures
- Records - chain of custody, improvements
- Allocation of responsibility (may include job descriptions)
- Organizational structure – organigram

5.4 Towards a generic management system for small producer groups

A final direction of the SASA Project with respect to ICS and smallholders was the conceptualisation of a management system applicable to the realities of small producer groups. This management system was intended to provide a foundation on which the elements for meeting specific requirements of different certification systems could be met. The three learning areas identified and elaborated above (sections 5.1, 5.2 and 5.3) converged in the final stages of the project and were synthesised through recognition by the SASA organizations of the opportunity and value of developing a **Generic Management System for Small Producer Groups**. The ISO9001 standards and SA8000 management system elements were used as reference points for developing the *Generic Management System for Small Producer Groups*, and the ISO9001 continuous improvement ‘*DEMING*’ cycle [PLAN-DO-CHECK-ACT] proved to be a useful conceptual tool. The outcome of the learning process is encapsulated in a simple and practical manual template produced by the SASA Project (see SASA Web site). It is a basis for recommendations for future work and collaboration.

In creating their own management system manuals based on this template, small producer groups would be able to incorporate elements necessary for any of the four certification systems. Each system will have additional requirements or 'modules' attached to a baseline system. The manual developed by a producer group based on this template would be a foundation on which the producer group could build its own internal control system. Recommendations for future coordination amongst SASA organizations regarding the management system for smallholders include:

- Fleshing out the manual template with a simple language guidance document;
- Developing independently the modules necessary for meeting the additional certification requirements of each system; and
- Developing modules that identify elements required jointly by two or more certification systems.

A management system such as that put forward by the SASA organizations could provide a framework to help build capacity within smallholder producer groups over time through the feedback and self-evaluation inherent in the structure. This in itself is extremely useful. Once producers have a baseline system in place (i.e. with the elements identified in the manual template or for one certification system) it becomes much easier to then add additional components necessary in order to meet a second certification. This benefit is not limited to SASA organization initiatives, but is an equally valuable preparation for other standards (i.e. food safety verification system requirements). The manual template is necessarily simplified so as to be a usable tool rather than a documentation-heavy, intimidating or overwhelming exercise for small producer groups.

Chapter III - Building alliances to expand market opportunities for responsible production

1. *Collaboration between FAO and the certification organizations*

Paul Pilkauskas, Senior Commodity Specialist, ESCR, FAO

An important part of the mandate of the Commodities and Trade Division (ESC) of FAO is to identify the problems affecting commodity trade and propose solutions to address them, preferably through international action. ESCR (the Raw Materials, Tropical and Horticultural Products Service) became involved in social, environmental and labour issues as these continued to arise in the analytical work on trade and economic problems related to bananas and other commodities for which it is responsible. This led to contacts with many of the NGOs operating social and environmental certification schemes. FAO organized a first meeting with these NGOs, small farmers, auditors and environmental experts in March 2000. A Working Group on Responsible Horticultural Production and Trade was formed in 2000 and included participants from IFOAM, RA/SAN, FLO, SAI, other NGOs and the ILO. A few selected small-scale banana growers and experts in environmental and social auditing also participated. Since then, three Expert Meetings have been held and FAO has established an Internet portal where relevant studies and links to organizations working to improve social and environmental conditions in agricultural production and trade can be found².

FAO-ESCR has produced several technical studies and information publications on certification. These include: a small brochure targeted at wholesale and retail buyers of bananas, explaining the differences between fair-trade, organic, SAI and rainforest alliance certified fruits; an extension manual aimed at producer associations and exporters in Central America, presenting the main opportunities and constraints of the voluntary certification programmes and describing the import regulations of main export markets; two cost-benefit analyses on certified citrus in Spain and in Costa Rica; and recently, a technical paper on environmental and social standards, certification and labelling for cash crops. FAO-ESCR has furthermore given technical support to the SASA project.

ESCR has actively supported the FAO organic agriculture programme. The Service is currently chairing the Interdepartmental Working Group on Organic Agriculture. A publication on world markets for organic fruits and vegetables has been widely disseminated in three languages and ESCR has organized regional conferences on organic trade opportunities in Trinidad and Tobago and in Thailand³. In July 2004, FAO will hold a conference on organic seeds, while there is ongoing work regarding organic pastures, crops, post harvest treatments, trade issues and more. Beyond the agricultural sector, FAO is also involved in certification issues in the area of fisheries and forestry.

² See http://www.fao.org/es/ESC/en/20953/22218/highlight_44152en.html

³ See http://www.fao.org/es/ESC/en/20953/21020/highlight_30476en.html

2. *The International Social and Environmental Accreditation Labelling Alliance (ISEAL)*

Pat Mallet, ISEAL

The ISEAL alliance is the collaboration of eight international social and environmental standard setting and accreditation organizations, which represents most of the NGO driven social and environmental certification initiatives worldwide. The reason for the collaboration is that the members believe it is important to differentiate social and environmental standards and labels on the basis of quality and credibility, in order to ensure impact on the ground. The main objectives of ISEAL are to improve the methods of standard setting and conformity assessment as a means to improve both the credibility and the accessibility of certification.

Together with health and safety, it is hoped that soon social and environmental sustainability will be considered a core component. One example of how industry is starting to prepare for this is illustrated by the collaboration between Rainforest Alliance and Kraft, which has brought large volumes of certified coffee into the mainstream market to be sold under its own product line. In this pre-competitive stage where the standard is not used as a marketing tool, the content of the standard does not matter so much. However, once the standard enters the market and it becomes a competitive tool, it affects the other players and can confuse consumers if it results in an overlap of standards. By creating a baseline of objective criteria, ISEAL would like to see that credible certification organizations differentiate themselves in the market place and have positive impacts on the ground.

3. *Collaboration among standard-setting and certification organizations: the example of the SASA project*

Sasha Courville, Australian National University/SASA project

The text below was produced by the Secretariat of the Social Accountability in Sustainable Agriculture (SASA) project⁴. It summarizes the full report on Opportunities for Convergence and Complementarity among the four SASA initiatives, outlining **draft recommendations for future collaboration**. Based on the field research conducted through the SASA project and evidence of the commitment of participants to seek to drive toward stronger social standards, improved cost-effectiveness and service delivery to clients as well as improved social, environmental and economic outcomes, the SASA steering committee identified a series of activities that could strengthen the work of all participating initiatives. This summary provides an overview of these draft recommendations that the SASA steering committee will present to their respective boards and other key constituents for discussion and consideration.

⁴ For more information on the SASA project, see <http://www.isealliance.org/sasa/>

Context and Trends

Over the last decade, there has been increasing activity in the area of corporate social and environmental responsibility, fuelled by increasing trade liberalization and economic globalization juxtaposed with growing global concern about food safety, environmental protection as well as farmer and worker rights. In this climate, new, often commercially driven, initiatives with particular brands and claims have emerged to meet market demands. With the proliferation of sustainability initiatives, producers are being asked to jump through more and more hoops and “consumers will not be able to differentiate between *sustainability light* and serious initiatives.”⁵ Mission-driven initiatives prioritize social and environmental sustainability starting from the perspective that certification is not an end in itself but a tool for promoting higher sustainability goals and outcomes. These groups will be much better able to engage with the increasing numbers of commercially oriented certification systems if they form strategic alliances with other mission-driven systems, enabling them to build economies of scale through sharing information and other forms of collaboration.

Given the high profile that voluntary social and environmental initiatives enjoy at the moment within the development community, and with governments increasingly interested in examining the potential of such initiatives as compliance incentives, there are significant opportunities for coordinated high quality initiatives to influence the sustainability agenda. For example, clear quality benchmarks with respect to social and environmental certification systems are understood to be important by many stakeholders, if such initiatives are to play a significant role in shaping sustainable production, trade and consumption patterns. However, just as there are opportunities for influence, there are also potential threats of overregulation through multiple parallel regulatory regimes, as can be seen in the regulation of organic agriculture and trade worldwide.

Proposed Coordination – An Overview

The ideas summarised in this section are based on research conducted by the SASA project from 2002 to 2004. In order to address the challenges highlighted above, this summary and the full SASA report on *Recommendations for Convergence and Complementarity* propose the development of a Sustainable Agriculture Coordination Platform, under the umbrella of the ISEAL Alliance. This platform would provide a framework for a wide range of bilateral and multilateral coordination programmes and activities, seeking out a wider range of stakeholder participation and increased convergence among mission-driven initiatives. Efforts will initially focus on producer-oriented forms of coordination, including the development of a common reference point for certification information and services (website), the facilitation of technical extension, the collection of existing self-evaluation tools and the further development of these, and the provision of integrated audits in cases of multiple certifications. Further research in

⁵ Giovannucci, Daniele with Freek Jan Koekoek (2003). The State of Sustainable coffee: A study of twelve major markets. P. 67.

terms of market needs, potential and positioning is required prior to the development of market-oriented coordination programmes and activities and this is also incorporated into the proposed implementation plan.

Scope

The coordination platform proposed is not specific to agriculture nor would it be exclusive to the SASA partner initiatives. The agricultural sector has been the focus of the SASA project given the common sectoral interest on the part of FLO, SAI, SAN and IFOAM. As such it makes sense to begin testing coordination activities in the agricultural sector with the participating four SASA initiatives. However, the coordination framework itself and its objectives are not unique to agriculture; given this, its scope could be expanded over time to include other sectors, such as fisheries and forestry, among other options. In order to differentiate between other coordination platforms within the ISEAL Alliance, the term Sustainable Agriculture Coordination Platform is the initial working title.

In terms of which initiatives would be able to participate in the Sustainable Agriculture Coordination Platform, it is suggested that full partnership would be open to any ISEAL member – with ISEAL membership open to any initiative meeting ISEAL’s membership criteria. In addition, other forms of participation could be envisaged with other corporate sustainability initiatives apart from full partnership. For example, where consumer interest and market realities dictate that ISEAL member initiative clients (producers) need to demonstrate compliance to another initiative’s standards, cooperation at the level of inspection and certification may be envisaged with the aim of reducing the certification burden on producers, even if that initiative does not fulfil ISEAL requirements. The terms of any relationship between the coordination platform and other initiatives would need to be developed on a case-by-case basis.

Objectives

Through the SASA project, the representatives of the four participating organizations have been able to learn more about each other’s initiatives and to identify a number of shared goals and values including a shared commitment to better serve their respective clients and constituencies, to maintain and protect high value systems and to work toward social, environmental and economic sustainability.

Underpinned by these shared values, the objectives of the proposed Sustainable Agriculture Coordination Platform include the following:

- 1) Building on synergies leading to improvements in service delivery;
- 2) Increasing cost effectiveness of participating initiatives through coordination;
- 3) Achieving greater positive social, environmental and economic change; and
- 4) Strengthening mission-driven, high quality international verification systems.

Cooperation can help the initiatives to improve service delivery through sharing their knowledge and expertise in distinct but overlapping fields leading to better auditor training, better auditing and better standards-setting, just to name a few examples.

As the SASA initiatives are each involved in setting up and maintaining many of the same types of systems and in implementing similar baseline activities, coordination can help to avoid continuously reinventing the wheel. Where appropriate, resources can be pooled together for increased cost effectiveness in achieving common goals. This can be seen in integrated audits, through coordination in auditor training or the development of common producer support tools. Coordination will also lead to costs savings for the users of the participating certification systems through reduced transaction costs in getting clear comparative information about certification options, in improving access to training and support tools and in reducing duplications in multiple certifications.

Through improved service delivery and increased cost-effectiveness, the participating initiatives will be better able to promote positive social, environmental and economic change on the ground. This coordination will also enable members' diverse stakeholders to better understand and influence a broader range of social and environmental programmes. Achievement of the previous objectives will serve to address the fourth: strengthening mission-driven, high quality international verification systems. Within the coordination platform, each initiative will be supported in promoting and strengthening its own profile while also enabling the groups to consolidate support for the rigorous benchmarks common to all participating initiatives.

Implementation strategy

(i) *Structure of the Sustainable Agriculture Coordination Platform*

In order to achieve the objectives identified above, a Sustainable Agriculture Coordination Platform that would provide a framework for a range of coordination activities between the SASA organizations is needed. As the focus is on facilitating coordination *among and between* the initiatives, the supporting framework needs to reflect this. Instead of creating a large super-structure, smart ways of cooperation that make full use of the existing capacities and strengths within each organization and its affiliates are needed. The platform would provide a framework under which both bilateral and multilateral coordination activities of its member initiatives could be placed.

The Sustainable Agriculture Coordination Platform would need a small but multi-functional centralised node, linked to the ISEAL Alliance and charged with overall coordination and implementation of the coordination programmes and activities. In addition to this, a contact person within each initiative would need to work closely with the central platform in providing organization specific information and tools that would then be integrated into the wider

coordination framework. Regional nodes of coordination would facilitate coordination between local certification bodies and other affiliated members of the participating international initiatives, to compile information, coordinate producer support and auditor training courses as well as support integrated audits.

The Sustainable Agriculture Coordination Platform would include both external coordination programmes and activities for use by clients of the participating certification systems as well as back-office coordination functions that would be required to support the external user services. In order to orient producers and consumers, the Platform would be a **common reference point for certification information and services** – and how to work towards more fully sustainable production practices. This common reference point would serve as a virtual resource centre for social and environmental certification information, tools and services of the participating initiatives. Resources available would range from general comparative information about the participating initiatives through to producer support tools and information about certification packages available.

(ii) Producer-Oriented, Market-Oriented and Strategic Coordination

There are three main types of programmes and activities that would be supported by the coordination platform: producer-oriented, market-oriented and strategic coordination. Producer-oriented coordination was prioritised from the start of the project, given the obvious need for such coordination articulated by producers and other stakeholders of the four initiatives, and building on the possibilities to improve service delivery and reduce costs. Market-oriented coordination will seek to build on producer-oriented coordination to strengthen the market for all of the participating initiatives through the possibility to offer coordinated packages and services to supply chain actors and retailer clients. A third type of coordination is more internal to the participating initiatives and focuses on strategic forms of cooperation with key international stakeholders – continually seeking to improve the quality of the social and environmental standards and related auditing and implementation practices. It should be noted that all three streams are inter-related and to some extent inter-dependent.

Stream 1: Producer-Oriented Coordination Recommendations

The first stream includes an implementation plan to develop and put in place programmes and activities with respect to producer-oriented coordination within a three-year period. This includes the following producer-oriented and back-office activities:

- Development of Common Reference Point platform for producer-oriented information and coordination services (website development, including compilation of comparative information in a user-friendly format);
- Case studies illustrating costs and benefits of partner certifications (research project with results to be included in Common Reference Point);
- Coordination in auditor training (including opening up existing training courses to partner organization auditors, advanced integrated auditor training course, issue-specific training modules);

- Development of producer-oriented support tools including training materials on generic topics (i.e. how to address corrective action requests, ICS implementation, implementing health and safety requirements) and self-assessment tools for producers;
- Facilitation of auditors exchange (and consultants) for technical assistance (whereby auditors of one system, having been trained in partner systems, can act as technical assistance providers to help a producer group move to compliance to the partner's **certification standards**);
- Facilitation of integrated audits (includes protocols for information exchange between certification bodies, case studies, dissemination of integrated audit example templates and procedures, integrated audit trials, and integrated auditor database);
- Strengthening of the standards, guidance and verification methodologies of the participating initiatives, seeking to consolidate support for more rigorous standards. Implementation of the SASA project recommendations on standards setting and verification will strengthen all the initiatives through best practice learning of partner organizations and will allow for greater influence in shaping the future of social standards and verification approaches in agriculture.

Stream 2: Market-Oriented and Supply Chain Coordination Recommendations

While it is clear from the results of the SASA project that producer-oriented coordination activities will have concrete benefits to users of the participating certification systems and to the initiatives themselves, more information is needed about user interest in market-oriented and supply-chain coordination between the participating initiatives and about whether the market benefits of coordination will provide an economic return on the significant investments required. Given this, a first step for Stream 2 is the execution of a **market research project** that would seek to identify the client needs and market potential for coordinated services to supply chain and retailer users.

While mapping of supply chain coordination was initiated by the SASA project through the final audit exercise on cotton production, processing and trade, further work is needed to identify practical possibilities for bilateral and multilateral cooperation amongst partner organizations with respect to social, economic and environmental risk management and traceability in the supply chain. A further essential component of the research project is an examination of how the participating initiatives relate to each other in terms of market positioning and what role the coordination platform would have in this. This would include identifying how to communicate the message behind coordination to supply chain and retailer clients.

Any future market-oriented coordination programmes and activities would focus on general education and promotional activities of the members participating in the Sustainable Agriculture Coordination Platform and would not engage in direct marketing of labels and certification systems. However, where a buyer or retailer client might request this activity, the **market research project** would consider such scenarios, taking into account the initiatives' different levels of involvement in and approach to labels and certification.

Stream 3: Strategic Cooperation Recommendations

Given the current proliferation of corporate social and environmental responsibility programmes including certification initiatives, it is very difficult for key international stakeholders to identify the initiatives with strong quality benchmarks. Furthermore, dealing with each initiative separately is not possible given the numbers of initiatives and the time involvement required. Demonstrating close cooperation at the standards-setting and certification levels through a common coordination platform will help consolidate and facilitate requests for input from key stakeholders such as international trade unions, the International Labour Organization (ILO) as well as national and regional governments and intergovernmental initiatives. Coordination among the participating initiatives across a number of levels of activity would also help to place them in a better position to collectively engage with other corporate social and environmental responsibility initiatives. Many of the tools and frameworks developed for coordination among and between the participating member initiatives could also be used to conceptualize relationships with other initiatives. As strategic cooperation is a core activity of the ISEAL Alliance, the coordination platform would help to support ISEAL work in this area.

4. Certification: Adapting to the future

Richard Perkins, World Wildlife Foundation (WWF), The global environmental network

The mission of the World Wildlife Foundation is three fold; to conserve biodiversity, to reduce the waste of natural resources and to reduce pollution. Perhaps most well-known for its role in conserving biodiversity, the WWF considers the other two areas to be equally important. It is therefore very relevant to talk about the impact of agriculture which has a major effect on the environment and society and the potential role of voluntary standards and certification to providing such an awareness to consumers.

At present, however, the certified sector is small (reaching only about 4 percent of the total market) and highly fragmented with too many ecolabels. The majority are not interested in certified products; eco-labelled products are generally perceived as being too expensive and many doubt whether producers receive a fair share of the premium. Instead, WWF experience is that while consumers are highly concerned about residues and product safety, they will tend to act only on urgent problems where there is a very clear connection between their actions and an environmental outcome.

There are also a number of institutional challenges in the agricultural sector that need to be dealt with as well. One of these relates to the concentration and amalgamation of buyers of agriculture products and the other is the World Trade Organization that does not have the competence or interest necessary to deal with social and environmental issues. Neither the major buyers nor the WTO should be able to dictate the appropriate means of dealing with social and environmental problems.

To address the above challenges, voluntary certification needs to become more mainstream and clearer linkages should be created between consumers and their impact on the environment. Consequently, there are four important things that need to be done:

- 1) Target the major buyers of agricultural products to inform them of the benefits of these products. The concentration of buyers represents a communication opportunity (there are only 300-500 in total) so changes made in the other 95 percent of the market affected by these buyers represents an opportunity for dramatic change.
- 2) Focus on the major impacts that producing each commodity has on the environment. Agriculture affects the global environment in four major ways: water use (70 percent of freshwater withdrawals are for agriculture); soil and air pollution; conversion and simplification of habitats (resulting in the annual loss of forest the size of Nicaragua or Greece) and soil degradation through soil erosion (40 percent of the world agriculture land is degrading). Long laundry lists of impacts are not strategic enough, so only select 2-5 better management practices that will address these impacts.
- 3) Produce quantitative and measurable results relating better practices in the production of agricultural commodities to the reduction of the major environmental impacts. Show quantitative progress against baseline data on water use, effluents, toxicity of all inputs, soil health and vitality, soil organic matter, impacts on biodiversity.
- 4) Certifiers should get together to compare standards in a transparent way and to support a credible alternative to WTO regulation of eco-labels.

Discussion

Some participants argued that any organization setting a standard should assess its possible impacts on the environment and society. The question of who should be responsible for setting standards was debated. According to the speaker of WWF, it is important to reach consensus on any new standard among the key stakeholders, which may consist of about 6 to 10 private sector players, 5 to 6 NGOs and 5 to 6 producer organizations for each commodity.

It was noted that although environmental and social concerns were of equal importance, the latter were largely neglected in the presentation. Since social issues are not the core expertise of the WWF, they were left out but the same process for impact assessment could be applied as well. It should include players such as trade unions and social representatives instead. Similarly, methods for assessing environmental standards could learn from processes used in the SASA project to improve the accessibility and impact of environmental standards.

A comment was made about the growing consumer interest in food safety and consumer health issues in the United States, while consumer interest in environmental problems seems to be

lower. The presenter answered that consumers in the United Kingdom are sensitive to environmental problems. US consumers may become more sensitive to these problems if they are made aware of the impacts of the heavy use of agrochemicals in agriculture.

It was asked whether WWF would be interested in doing studies on the impact of voluntary certification. The presenter answered that as an environmental movement, the WWF should definitely be involved in measuring impacts, but this work would need to be done in collaboration with other organizations. NGOs have limited resources, whereas large food manufacturing companies could afford to fund impact studies. Nevertheless, the importance of these studies was recognized by the WWF and the organization was interested in contributing to such work.

5. Building alliances between responsible producers and retailers

Maria Gardfjell, Coop Sweden, marketing department

The mission of the Coop is to safeguard the ecological, social and household economic interests, as it is a consumer-owned retailer. One way to do this is through the promotion of organic agriculture, an involvement lasting for over 20 years and which has continued to grow steadily. Coop Sweden has a market share of about 20 percent in Sweden and about respectively 9 percent of foods in the Coop Konsum supermarkets, is organic and 4 percent in the Coop Forum hypermarkets. Coop Sweden uses the KRAV label, a well-known national seal for its organic products, as well as its own brand 'Änglamark' that is based on distinct values and is the leading brand for organic products in Sweden. Other ecolabels such as FSC, the Nordic Swan, the Good Environmental Choice and the fairtrade label Rättvisemärkt are used on products and promoted by Coop. However, the fair-trade movement has been much less successful due to lack of collaboration and the limited range of fair-trade products available.

The success of eco-labels in Sweden is largely attributed to the collaboration among retailers and the environmental and organic movements. Demands from consumers also forced Coop to develop policies. First, collective retailer initiatives with marketing strategies geared towards the average consumer enabled them to capture a high market share. They worked on the principle that it was better to have many consumers buy a few organic products than to have a few consumers buy all organic.

Coop Sweden now engages the consumer and provides feedback on their purchases by indicating on the receipt if the items have an eco-label. The retailer also presents to the consumers an annual report on environmental and animal ethics achievement based on sales of certified products.

Strong campaigns on animal welfare issues seem to have achieved permanent consumption changes among many consumers.

Coop Sweden is interested in supporting organic agriculture further, in conjunction with the support and collaboration of other retailers. However, since the majority of retailers are conventional retailers, as Coop is, there could be a risk that retailers are not particularly

interested in social and environmental issues. It is therefore important to find mechanisms to simulate their interest. Coop Sweden believes that promotion and development of the organic sector can help do this, as it will contribute to the sustainable development of the retail business as a whole. In practical terms, this long-term strategy for Coop Sweden aims to have all food products available as organic, to have all organic products certified and if possible, multi-certified (both organic and fair-trade labels). For instance, in the future, Coop intends to have 100 percent of the milk sold in the store labelled organic and sold at the same price as conventional milk. For other commodities like organic eggs, which currently make up 33 percent of the total sales, the economy of organic egg producers needs to be improved and new markets developed before sales are expected to increase.

It is the experience of Coop Sweden that consumers are capable of knowing and differentiating between many different types of certification and brands. To help facilitate this understanding, however, producers and retailers need to communicate information about social and environmental issues more effectively. Certification programmes need to support and collaborate with (instead of competing against) retailers and their initiatives to avoid consumer confusion.

Discussion

Considering the success of the Swedish example, it was asked how Coop Sweden would initiate a similar communication campaign and collaboration with retailers in the US market, which is very different from the Swedish market. The importance of using the best marketing tools available was stressed. However, there was no clear answer as to how this experience could be reproduced in the US market.

Whether consumers can actually differentiate between several labels without being overwhelmed and confused by them was further discussed. It was agreed that consumer education and understanding of labels vary according to countries and depend on factors like the variety of labels on the market and the degree of understanding about certified products. It is always a challenge to make the labelling systems easy to understand for the consumer, and it may be more effective to only have one or a few labels on the market. The most important requisite is that the certification labels are trustworthy, that the certifier is accredited and that consumer information about the labels are available for consumers and producers.

A meeting with retailers at the next Biofach fair was suggested to discuss how they could jointly stimulate the organic market. A Trade Forum within IFOAM has already been initiated wherein the private sector is sharing ideas on how to expand the organic sector. According to Coop Sweden, the best way to support organic producers is to help them sell their products and to reach consumers. As retailers, they see themselves as the link between the two and thus are well positioned to help farmers reach the customers. Effective marketing campaigns will in turn generate increased interest among producers to convert more of their lands to organic agriculture. Therefore, marketing campaigns reach both producers and consumers.

6. *Building alliances between socially responsible producers and consumers*

Louise Ousted Olsen, EURO-COOP

Representing over 3 000 local or regional consumer cooperatives, EURO COOP is a European based organization with over 19 million consumer members in the EU and 2 million in the associated countries of Central and Eastern Europe. It is involved in the promotion of social and environmental production—Fair Trade in particular—through the mobilization of financial and political support among its consumer members and EU institutions and member states. Fair Trade labelled goods guarantee farmers and workers reasonable remuneration for their work, the right to form a union, proper employment contracts, and no child labour.

EURO COOP facts about Fair Trade:

- Fair Trade represents over 4.5 million producers.
- Fair Trade involves 360 groups in 40 countries.
- Fair Trade is sold in 17 countries.
- Recognized now by 1 in 3 people.
- 75 percent are aware of the FAIRTRADE Mark but 65 percent do not buy due to lack of availability.
- Only 1.7 percent of banana sales are Fair Trade. In Co-ops the figure is 11 percent (40 percent for pre-packed!).
- 20 percent of Co-op ground coffee sales are Fair Trade

With its consumers, EURO COOP has engaged in a number of education and information campaigns designed to provide the buyer with the information necessary to make more informed buying decisions. Promotional materials such as brochures, member magazines, websites training programmes and workshops and other events are designed toward educating the consumer about sustainable production and trading practices in an effort to promote the sustainable development of communities. There are a number of products now available as the result of this successful campaign, ranging from traditional products like coffee, tea and cocoa and honey and chocolate to more unconventional products like wine, footballs, musical instruments, toys and games.

However, since these initiatives will only go as far as the political and economic policies allow, EURO COOP also works with EU institutions and member states and is presently working to establish a platform for regular dialogue with EU bodies to formalize the lines of communication. The goals of this interaction include: the development of better coordination and coherence among EU policies; education and awareness-raising programmes among consumers; more research into providing market access to Fair Trade producers, and into providing technical

assistance for producers including capacity building and training. Private organizations and companies buying or selling Fair Trade could also help to provide pre-financing and investment credits to their partners in the developing countries.

From the efforts in engaging consumers so far, the EURO COOP has developed its range of Fair Trade products to 31 and has helped push the transition of Fair Trade into the mainstream. For instance, its UK outlet was responsible for the first Fair Trade banana in 2000 and wine in 2001 (although it cannot carry the Fair Trade mark due to lack of established international criteria); adding another six new lines in 2002 (white wine, white chocolate, mangoes, cake, instant coffee and pineapples). In addition, it helped support the conversion of all its block chocolate to Fair Trade with the biggest ever Fair Trade initiative that they had ever undertaken. Despite the successes, one of the major challenges is to push socially responsible production and trade into the mainstream without jeopardizing the primary aims of supporting social, economic and democratic development in less-developed countries.

7. Strategies to improve collaboration between stakeholders in the supply chain and to promote responsible production and trade

Summary of discussions

A discussion on how to effectively build alliances and improve collaboration along the food chain was initiated. It then focused on the more concrete question of how to share or spread the cost of certification along the supply chain, as producers currently carry the main burden of these costs whether they receive a price premium or not.

Coop Sweden mentioned that in their experience the cost of certification is actually paid by the consumers, not by the producers. According to Coop, one basic rule is that the certification cost should not be more than 2 percent of the product price. The food processing industry also pays to be certified. It is not only the farmer that has to pay for certification, as in Sweden the food industry covers a much larger part of this cost compared to the producer. Finally, it was noted that it is important that the organic movement and certifiers work more together to reduce the cost of certification.

A producer mentioned that food quality is not always good and farmers should take on much more responsibility for the quality of the final product. According to him, producers often give priority to quantity at the expense of quality. Farmers should take a critical look at their methods of production.

Some reports indicate that retailers have higher margins on certified products compared to the sales of conventional products. If this is common practice, retailers should take on a greater share of these costs. Coop Sweden claims to be the cheapest organic food store in Europe and that it has the same margins for organic and conventional products. This is also the policy of its two main competitors in the Swedish market. However, another example was given, where a Ugandan farmer received a fair-trade price premium of 15 percent, while consumers in the Netherlands were paying a 35 percent premium on the same product.

The experience of a group of small holders in Africa was that they were aiming at keeping certification costs at around 2 percent of the product value, but this did not include all the internal costs of certification. The certification of small holders will likely imply substantial changes in their management systems. However, producers can often reduce other costs by making improvements in the management system. A case study of implementing EUREPGAP showed that added value emerged when the management system was improved.

Costs need to be shared on both the consumer and the producer sides. However, a challenge is to increase the local auditing capacity, as this is what can reduce the cost of certification. Audits done by local inspectors in developing countries are much cheaper than those done by foreign inspectors. However, currently local auditors are not trained enough. Another interesting option to lower the cost of certification is setting up multiple certification services. When a local auditor can receive training and is accredited for several certifications, there is a real scope for reducing the costs. It will take time and there needs to be commitment by the certification bodies to do it. A further advantage of using local certifiers is that they are closer to the farmers, often better in communicating and more aware of the local issues.

From the perspective of producers, multiple certification services would not only cut costs, they would also be practical and save time for the producer by limiting the administrative work load and the number of auditing processes. Some farmers in developing countries presently need up to five different certificates to get access to the various developed markets. This is becoming an unbearable burden, especially for small producers.

Removing the middle men from the supply chain has sometimes proved a good way to ensure that more profit accrues to the producer. However, their functions cannot always be taken over by farmer groups. For coffee it can be profitable to sell directly to roasters. This may be possible with small roasters but not to the same extent with the multinational coffee buyers, as they demand large quantities of consistent quality.

A participant from the Rainforest Alliance argued that certification often encourages companies to comply with regulations. Producers may, for many reasons, not comply with all the regulations. When they start making improvements in their management system, they often reduce costs, although there are few studies that document this in a systematic way. The experience of the Rainforest Alliance is that many producers feel that obtaining certification is a big up-front cost, but that they actually save money in the long run.

A large-scale retailer mentioned that it is important to focus on what the consumers want and that it is equally important that the producers are familiar with this demand. This is often a challenge in a North-South collaboration; however, what is needed is to find economically sustainable solutions for poor producers in developing countries that are oriented towards the consumers.

Finally, the representatives from Chiquita and Dole were asked to share their experiences about the costs and benefits associated with the implementation of the Rainforest Alliance, ISO14001 and the SA-8000 standards. For Chiquita the implementation of the Rainforest Alliance standard had been an investment which was beginning to show financial benefits in terms of saving on the recycling of materials, better agricultural practices and improved health and safety that were reducing the cost of workers accidents. Dole confirmed this finding based on their own experience of implementing the ISO14001 standard. The company has saved millions of dollars over the last seven years by using less pesticides and improving worker health and safety, as accidents have been reduced by 90 percent since the implementation. It was still very early to say whether the implementation of the SA-8000 standard was a good investment for the company. However, their experience from the Philippines was that SA-8000 was helping to reduce the accident rates significantly.

CONCLUSION

The empirical evidence shows that while voluntary certification is not a panacea for all agricultural producers, it may benefit farmers depending on the agro-ecological and social-economic context in which they operate. Implementing a standard and obtaining certification entail higher costs for farmers. These derive partly from the initial investments necessary to meet the standard. In addition, production costs may increase and yields may decrease, at least temporarily during the transition phase, as often happens in organic agriculture. However, costs tend to decrease and productivity to recover over time as farmers become familiar with the new production process and learn more effective techniques.

Overall, those producers who implement a new standard improve their managerial and technical capability, which often results in efficiency gains. For example, complying with a standard may lead to a more rational use of inputs (such as agrochemicals), thereby reducing production costs. In the case of larger agricultural businesses, social certification may result in lower rates of incidents and disease, improved morale of workers and lower absenteeism, all factors that contribute to cutting costs and improving productivity. In the case of farmer cooperatives selling fair trade products, organizational improvements, better bargaining positions, credit worthiness and economies of scale seem to be important benefits. Enhanced managerial capability also contributes to improvements in product quality.

The actual impacts of certification on the environment are more difficult to measure as they depend to a large extent on the nature of the standard. Several studies have demonstrated the beneficial impacts of organic agriculture on the soil, water resources and biodiversity. As for other environmental certification programmes, although positive impacts can be assumed, few studies have done a quantitative evaluation.

In addition to the costs that directly derive from the implementation of the standard, farmers have to incur certification costs (to cover inspections and administrative costs of the certification body). The total cost related to certification can therefore be high and might be an obstacle, especially for small-scale farmers. Consequently, some mechanisms for sharing the costs along the supply chain are needed. When certified products carry a recognized certification seal and command a price premium, such as organic and fair-trade products, the costs are split between the farmers and the consumers. However, in the case of other certified products that do not carry a label, there is usually no price premium and the producer incurs all the costs, unless its corporate client (local trading company, importer or processor) is willing to pay a premium. So far, most of the operators of the supply chain between the producer and the consumer (exporter, importer, processor, wholesaler and retailer) have considered that they should not bear a share of the certification costs.

In this context, a possible solution would be to affix a label to all certified products. However, there is a limit to the number of labels that consumers can recognize and trust, so it is unlikely that all labelled certified products would command a price premium. As a result, more dialogue is needed between the various operators of the supply chain to achieve a more equitable distribution of costs.

Another key issue is the limited size of the market for certified foods. These products account for between 2 and 4 percent of total food sales in developed countries. In developing countries, their share is below 1 percent. Projecting the total market for certified foods in the medium to long term is a difficult exercise. Although sales grew at very high rates in the 1990s and early 2000s, market growth has slowed in the last two years. While the growth rate is still higher than that of conventional foods, industry sources expect it to remain at the current moderate level. As a result, it is likely that, under current conditions, certified foods will continue to account for only a portion, albeit growing, of the total food market.

The mainstream foodstuff industry has conducted some trials with environmentally and socially certified foods but so far its involvement in this market segment has been very limited. Yet, a greater participation by large food producers, distributors and retailers is necessary if certified products are to become mainstream. Some participants in the FAO Meeting stated that the marketing power of these companies is so large that the benefits would be considerable if they could adopt some standards. Even if those standards were less demanding than those currently operated by the NGOs, the gains for the environment and society could still be significant. As a result, several participants considered that certification and standard-setting NGOs should open a dialogue with the mainstream industry to explore possibilities for collaboration. It has been suggested that FAO could provide a forum for such a dialogue and play the role of a neutral facilitator.

ANNEXES

FAO Meeting on Voluntary Standards and Certification for Environmentally and Socially Responsible Agricultural Production and Trade

Agenda

Morning Session

9.00 - 9.10 Welcome and opening remarks
by David Hallam, Chief, Raw Materials, Tropical and Horticultural Products Service (ESCR), FAO

9.10 - 9.20 A brief overview of FAO initiatives in social and environmental certification
by Paul Pilkauskas, Senior Commodity Specialist, ESCR, FAO

Benefits of Certification: Does certification benefit farmers and society as a whole? *Chairperson: David Hallam*

9.20 - 9.35 What is the world market for certified products?
by Pascal Liu and Mikkel Andersen, ESCR, FAO

9.35 - 9.45 Discussion on market opportunities: how to expand the market?

9.45 - 10.00 Farmer's experience with certification
by Guadalupe Quiroz, UCIRI President, Mexico

10.00 - 10.20 Benefits and constraints of certification: evidence from case studies
by Cora Dankers, Consultant, Italy

10.20 - 10.45 Discussion on certification: distribution of benefits and constraints along the supply chain

10.45 - 11:15 Coffee Break in the Atrium, Ground Floor

Overcoming constraints of certification: facilitating certification through NGO initiatives *Chairperson: Paul Pilkauskas*

11.15 – 11.40 International Federation of Organic Agriculture Movements (IFOAM)
by Jorge Casale

11.40 – 12.00 Rainforest Alliance/Sustainable Agriculture Network (SAN)
by Tom Divney

12.00 – 12.20 Fairtrade Labelling Organizations (FLO)
by Olaf Paulsen

12.20 – 12.40 Social Accountability International (SAI)
by Alice Tepper-Marlin

12.40 – 13.30 Discussion: how to overcome the constraints of certification?

13.30 - 15.00 Lunch break

15.00 Afternoon Session

Building alliances to expand market opportunities for responsible production
Chairperson: Pascal Liu

- 15.00 – 15.20 Presentation of the International Social and Environmental Accreditation Labelling (ISEAL) Alliance
by Pat Mallet, ISEAL
- 15.20 – 15.40 Certification: Adapting to the future
by Richard Perkins, WWF - the global environment network
- 15.40 – 16.00 Building Alliances between responsible producers and retailers
by Maria Gardfjell, COOP Sweden
- 16.00 - 16.20 Consumer Cooperatives - putting Fair Trade into the mainstream.
by Louise Ousted Olsen, EURO-COOP
- 16.20 – 17.30 Discussion: strategies to improve collaboration between stakeholders in the supply chain and to promote responsible production and trade

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List of FAO publications and reports on environmental and social certification

Voluntary certification in Agriculture:

Environmental and Social Standards, Certification and Labelling for Cash Crops (2004)

Manual on certification for export (in Spanish only) (2003)

The WTO and voluntary certification in agriculture (2003)

Brochure "A golden fruit for all?" (Social and environmental certification of banana production and trade) (2001)

Report of the Third Expert Meeting on Responsible Horticultural Production and Trade (Feb. 2003)

Report of the Second Expert Meeting on Responsible Horticultural Production and Trade (Dec. 2001)

Comparative Analysis of the Main Environmental and Social Certification Programmes in the Banana Sector (Nov. 2001)

Conclusions of the First Expert Meeting on Responsible Banana Production and Trade (March 2000)

Background on Socially and Environmentally Responsible Banana Production and Trade (March 2000)

Voluntary certification in Fisheries:

Report of the Expert Consultation on the Development of International Guidelines for Ecolabelling of Fish and Fishery Products from Marine Capture Fisheries (October 2003)

Product certification and ecolabelling for fisheries sustainability (2001)

Organic fruit and vegetables:

Proceedings of the Seminar: Producing and Exporting Organic Fruit and Vegetables in Asia, 3-5 November 2003, Bangkok, Thailand

World Markets for Organic Citrus and Citrus Juices (2003)

The Market for Organic and Fair-Trade Bananas (2003)

Proceedings of the Conference on Supporting the Diversification of Exports in the Caribbean/Latin American Region through the Developments of Organic Horticulture (2001)

World Markets for Organic Fruit and Vegetables – Opportunities for Developing Countries in the Production and Export of Organic Horticultural Products (2001)

Economic Comparison of Organic and Conventional Citrus Growing Systems in Spain (2000)

The above publications can be viewed or downloaded from:

http://www.fao.org/es/ESC/en/20953/22218/highlight_44152en.html

Organic agriculture (general):

The publications below can be viewed at: <http://www.fao.org/organicag/frame2-e.htm>

- The Scope of Organic Agriculture, Sustainable Forest Management and Ecoforestry in Protected Area Management (November 2003)
- Organic agriculture: a tool for sustainable rural development and poverty reduction (August 2003)
- Communication and Natural Resource Management - Experience - Theory - (2003)
- Market for organic products in Bolivia - The case of ASOPEC (2003)
- Organic Agriculture: The Challenge of Sustaining Food Production While Enhancing Biodiversity (April 2003)
- Awareness Folder on Organic Agriculture (March 2003)
- Organic Agriculture (In World agriculture: towards 2015/2030. An FAO Perspective (see Chapter 11.3) (January 2003)
- Training Manual: Quality Certification for Value-Added Products in Latin American Countries (Spanish only) (2002)
- Interactive CD on FAO in Latin America in the New Millennium: Organic Agriculture (2002)
- Organic Agriculture, Environment and Food Security (October 2002)
- Organic Agriculture and Genetic Resources for Food and Agriculture (October 2002)
- Traditional use and availability of aquatic biodiversity in rice-based ecosystems: I. Kampong Thom Province, Kingdom of Cambodia (October 2002)
- Handling and Processing of Organic Fruits and Vegetables in Developing Countries (September 2002)
- Agenda 21: Fulfilling FAO's Commitments (August 2002)
- Food Security and the Environment (August 2002)
- Symposium on Organic Meat and Dairy Products (August 2002)
- The Promise of Organic Agriculture (In World Agriculture: Towards 2015/2030. Summary Report) (July 2002)
- Biodiversity and Organic Agriculture: an Example of Sustainable Use of Biodiversity (May 2002)
- On-farm composting methods (May 2002)
- Organic Agriculture and Sustainable Agriculture and Rural Development (May 2002)

- Report of NGO/CSO Study Tour on Organic Agriculture, Uruguay, Chile (March 2002)
- Organic Agriculture and Soil Biodiversity (March 2002)
- International Harmonization and Equivalence in Organic Agriculture (February 2002)
- Report of the Electronic Conference on Quality Certification of Foods in Latin America (Spanish only) (December 2001)
- Good Practice Guidelines for Agricultural Leasing Arrangements (November 2001)
- Biodiversity and Organic Agriculture (November 2001)
- Organic Agriculture Perspectives (October 2001)
- Agriculture biologique au Sénégal (August 2001) (French only)
- Organic Agriculture: A Thousand-Year-Old Answer to the Problems of a New Era? (August 2001) (Spanish only)
- Production and Trade Opportunities for Non-Wood Forest Products, Particularly Food Products for Niche Markets (July 2001)
- FAO/WHO Codex Alimentarius Commission Guidelines for Production, Processing, Labelling and Marketing of Organically Produced Foods (July 2001)
- New and Emerging Issues Affecting Commodity Markets (March 2001)
- Sustainable, organic and speciality coffee production, processing and marketing (February 2001)
- FAO Perspectives on Future Challenges for the Organic Agriculture Movement (August 2000)
- Factors Influencing Organic Agriculture Policies with a Focus on Developing Countries (August 2000)
- Opportunities and Constraints of Organic Agriculture: a Socio-Ecological Analysis (July 2000)
- Food Safety and Quality as Affected by Organic Farming (July 2000)
- Food Import and Export Inspection and Certification Systems - Combined Texts (2000)
- Guideline and reference material on integrated soil and nutrient management and conservation for farmer field schools (2000)
- Small ponds make a big difference (2000)
- Research methodologies in organic farming: on-farm participatory research (2000)
- Research Methodologies in Organic Farming Download PDF (December 1999)
- Producing and Marketing Quality Organic Products: Opportunities and Challenges (October 1999)
- FAO/Netherlands Conference on the Multifunctional Character of Agriculture and Land (12-17 September 1999)
- (May 1999)
- Organic Agriculture at the Committee on Agriculture (January 1999)
- Spotlight on Organic Agriculture (January 1999)

- Non-wood forest products and income generation: K. Dürbeck. Green trade organizations: striving for fair benefits from trade in non-wood forest products, *Unasylva*, Vol. 50, No. 3 (Issue No. 198) (1999)
- The use of species and medicinals as bioactive protectants for grains (1999)
- FAO Policy and Strategy for Cooperation with Non-Governmental and Civil Society Organizations (1999)
- Evaluating the Potential Contribution of Organic Agriculture to Sustainability Goals (November 1998)
- FAO/IFOAM Meeting on Organic Agriculture (19-20 March 1998)
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- Trade restrictions affecting international trade in non-wood forest products (1995)
- The Green Revolution Revisited: New Needs, New Strategies (1995)
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- Low Input Farming: Merits and Limits (November-December 1993)
- White Clover in Europe: State of the Art (August 1993)
- Biological Farming in Europe - Agriculture Biologique en Europe (28-31 May 1990)

FAO COMMODITIES AND TRADE TECHNICAL PAPERS

1. Medium-term prospects for agricultural commodities. Projections to 2010, 2003 (E F S)
2. Environmental and social standards, certification and labelling for cash crops, 2003 (E F S)
3. The market for non-traditional agricultural exports, 2004 (E)
4. The European market for organic and fair-trade products from West Africa** (E)
5. Voluntary standards and certification for environmentally and socially responsible agricultural production and trade (E)
6. Production and export of organic fruit and vegetables in Asia** (E)
7. Small island developing states – agricultural production and trade, preferences and policy, 2004 (E)

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Voluntary standards and certification for environmentally and socially responsible agricultural production and trade

This publication is a summary of the presentations and discussions that took place during the meeting on "*Voluntary Standards and Certification for Responsible Agricultural Production and Trade*" organized by FAO in April 2004. It presents the situation of the main import markets for certified products and the evolution of demand. Case studies aimed at comparing sustainable farming methods with conventional methods are presented. These comparisons focus on production cost, yield, price premium and net profit. The difficulties with which the producers are confronted are analysed and possible solutions to overcome them are explored. The publication also discusses the roles of non-governmental organizations, private stakeholders and other institutions involved in sustainable agriculture and explores possibilities for greater collaboration among them.

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